



Quarterly Progress Report Fourth Quarter 2000

The Egypt Capital Markets Development Project

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ACRONYMS

AIMR	Association for Investment Management and Research
ANNA	Association of National Numbering Agencies
AUC	American University in Cairo
CASE	Cairo and Alexandria Stock Exchanges
CACE	Center for Adult and Continuing Education (division of AUC)
CBE	Central Bank of Egypt
CMA	Capital Market Authority
CMD	Capital Markets Development project
CML	Capital Market Law
COP	Chief of Party
DT2	Development Training Two project
EAS	Egyptian Accounting Standards
EU	European Union
ECMA	Egyptian Capital Market Association
EDGAR	Electronic Data Gathering and Retrieval System (U.S.)
EFA	EFA Software, Ltd.
EIMA	Egyptian Investment Management Association
G-30	Group of Thirty on Clearing and Settlement
GDR	Global Depository Receipt
GOE	Government of Egypt
IAS	International Accounting Standards
IOSCO	International Organization of Securities Commissions
IPF	Investor protection fund
IPO	Initial public offering
ISA	International Standards on Auditing
ISIN	International Securities Information Numbering
IT	Information technology
MOEFT	Ministry of Economy and Foreign Trade
MOF	Ministry of Finance
MCSD	Misr for Clearing, Settlement, and Depository
NASD	National Association of Securities Dealers Inc. (U.S.)
NYSE	New York Stock Exchange
QPR	Quarterly progress report
OTC	Over-the-counter market
RFP	Request for proposals
RFQ	Request for quotations
SEC	Securities and Exchange Commission (U.S.)
SGF	Settlement guarantee fund
SOW	Scope of work
S&P	Standard & Poor's
SRO	Self-regulatory organization
UAS	Unified Accounting Standards
USAID	United States Agency for International Development
VNR	Video news release

EXECUTIVE SUMMARY: FOURTH QUARTER 2000

This quarterly progress report (QPR) summarizes the activities of the Egypt Capital Markets Development (CMD) project during the fourth quarter of 2000. Launched in Fall 1998, CMD is implemented by Chemonics International Inc. and a team of highly qualified Egyptian and U.S.-based subcontractors. Following the introduction, the QPR discusses CMD's activities with its eight institutional partners—the Capital Market Authority (CMA), Cairo and Alexandria Stock Exchanges (CASE), Misr for Clearing, Settlement, and Depository (MCSD), the Central Bank of Egypt (CBE), the Ministry of Finance (MOF), the Ministry of Economy and Foreign Trade (MOEFT), and the securities industry, represented by the Egyptian Capital Market Association (ECMA) and the Egyptian Investment Management Association (EIMA). A ninth section addresses monitoring and evaluation, and the appendices summarize our training activities, the reports produced by the project, and our procurement activities.

CMD's overall technical assistance program is based on Chemonics' four major contractual obligations to USAID and the Government of Egypt:

- Objective 1. Improve the efficiency, transparency, and stability of the capital market's architecture (automated trading, and clearing and settlement systems for stocks, bonds, and money markets).
- Objective 2. Strengthen institutions, including partner organizations such as the CMA, CASE, ECMA, MCSD, the CBE, and the brokerage industry.
- Objective 3. Strengthen the regulatory environment for capital markets, including greater self-regulation and disclosure.
- Objective 4. Develop secondary trading in new financial instruments, particularly money and bond market instruments.

Like 1999, the activities and tasks in the Year-2000 Work Plan were developed in close coordination with our institutional partners and designed to achieve significant outcomes over the course of the year and beyond. The work plan provides the guiding framework for all of these activities, but the project has found it necessary, as situations developed and other projects conducted their activities, to adapt plans and move ahead on different activities or with different methods to achieve the objectives and outcomes on which it agreed with its institutional partners and USAID.

Capital Market Authority (CMA)

During the fourth quarter of 2000, the CMA and CMD continued to focus their joint efforts on legal and regulatory initiatives. We delivered a report proposing the basic elements of an investor protection fund (IPF), designed to insure investors against the loss of cash and securities caused by the insolvency or bankruptcy of a securities intermediation company. We also delivered a draft ministerial decree for the fund. In another legal and regulatory initiative, we delivered executive summaries of draft regulations covering net capital requirements for brokers and margin trading. The CMA plans to finalize the decree and regulations in 2001.

CMD also completed a comprehensive evaluation of surveillance and enforcement in the Egyptian market, with recommendations for improvement. The recommendations were accepted in principle by the CMA and CASE chairmen and will be implemented in 2001. In addition, we delivered Level 2 of the Process Model for the Market Operations Sector, a detailed graphical representation of information flow in and between the sector's five departments. We also delivered a draft requirements report for an electronic system to track the CMA's processes for bond issuance approval and post-issuance monitoring. Finally, with the assistance of the USAID-funded Development and Training 2 (DT2) project, CMD completed phase two of a training program for financial journalists—a six week course in financial market topics conducted in English by leading Egyptian academics and market participants.

Cairo and Alexandria Stock Exchanges (CASE)

CASE and CMD continued to focus on drafting new rules for the exchange. Following completion of our joint efforts on draft of membership and board of directors rules in the third quarter, we drafted new listing rules in the fourth quarter. All of these rules are currently being reviewed by the CASE senior management. They are designed to provide a solid framework for the exchange's transition into a self-regulatory organization (SRO) under the new Capital Market Law.

Misr for Clearing, Settlement, and Depository (MCSD)

MCSD and CMD focused their combined efforts on improving the company's internal audit function, the implementation of a securities lending and borrowing (SLB) service, and an examination of legal risks posed by current bankruptcy law. To improve the internal audit function, we drafted a policy manual and conducted on-the-job training. We also provided workshops on the implementation of the budgeting manual, which was drafted with MCSD in the third quarter, and conducted a second workshop for MCSD and market participants on bankruptcy law and the capital market. Another workshop on the SLB service was also conducted, moving this task toward completion in mid-2001.

In a major new initiative, we began assisting MCSD with the establishment of a central registry for securities as mandated by the newly issued Central Securities Depository and Registry Law. This assistance will continue throughout 2001. Finally, we completed the second phase of an extensive training-of-trainers program for MCSD staff and initiated an examination of the obstacles to the implementation of true delivery versus payment (DvP) in the Egyptian capital market.

Securities Industry

EIMA and CMD completed a draft of the Egyptian Investment Performance Standards (EIPS). The EIPS are based on the Global Investment Performance Standards (GIPS), which were developed by the Association for Investment Management Research (AIMR) and accepted in 29 countries. The standards will be finalized and submitted to the international board in 2001. We also assisted EIMA with the development of a certification program for investment managers.

With ECMA, CMD outlined the topics for a forum for its members to be held in 2001. We also completed the initial pilot for the educational video series and received approval from

USAID, pending minor modifications to the pilot, to commence development of the remainder of the series.

Central Bank of Egypt (CBE)

CMD and the CBE completed a draft functional analysis report for the electronic book-entry registry for Treasury bills. The report will be Arabized during early 2001. We also continued to assist the CBE and MOF with the development of the primary dealer system and worked with local banks and the CBE Bank Control Department on proposals to issue new financial instruments, in particular negotiable certificates of deposit (CDs) and “reservable” Treasury bills.

Ministry of Finance (MOF)

CMD assisted the MOF with preparations to issue Egypt’s debut sovereign eurodollar bond on international markets. The assistance included extensive on-the-job training in objective and transparent processes for selecting lead managers and issuer’s counsel, as well as concepts, principles, and techniques for evaluating proposals.

In addition, CMD continued to assist the MOF with the establishment of a Debt Management Department within the ministry, and the creation of a primary dealer system for government securities. For the debt manager and her staff, CMD conducted extensive on-the-job training in the principles and techniques of debt management, preparing the ministry to assume a greater role as the issuer and manager of Egypt’s government debt. Moving forward on the primary dealer task, we presented an action plan summarizing the steps to successfully establish the system. We also facilitated meetings between the Minister of Finance and potential primary dealers, fully including them in the development process.

Ministry of Economy and Foreign Trade (MOEFT)

CMD received the draft of the new Capital Market Law at the end of the year and initiated a translation into English. CMD will return comments on the law in early 2001.

Monitoring and Evaluation

CMD monitors its progress along three dimensions: in terms of the work plan, intermediate results, and long-range outcomes. Defined by USAID, the last two factors are designed to monitor progress over the life of the project’s technical assistance program. The intermediate results were exceeded in 1999. Market size and activity, which the intermediate results measure, continued to expand throughout 2000, up significantly over 1999. At the end of the reporting period, both the volume and value of trading were approximately double the intermediate result targets. With CMD assistance, the Egyptian market also moved closer to major achievements in each of the long-range outcome areas, in particular the capital market’s legal structure, the trading capacity of the exchange, and the training of market regulators and participants.

Issues and Challenges

As noted above, CMD received the draft of the new Capital Market Law upon its completion at the end of the reporting period, overcoming a challenge noted in previous QPRs. We will comment on the law during the first quarter of 2001, and use it as the basis for continuing assistance on the establishment of self-regulatory organizations (SROs) and many other tasks.

SECTION I

Introduction

This quarterly progress report (QPR) summarizes the Egypt Capital Markets Development (CMD) project's activities and achievements during the fourth quarter of 2000. It is divided into eight sections. The first section introduces the report and provides a list of the short-term advisors engaged during the reporting period. Sections II through VIII provide a narrative discussion of the project's current, ongoing, and planned work with each of our partner institutions, as well as highlight boxes with additional information on the quarter's most notable activities. The final section of the QPR summarizes and evaluates progress to date along three dimensions: the outcomes listed in the Year-2000 Work Plan, intermediate results, and long-range outcomes (with the last two defined by USAID in terms of the life of the project).

A. Personnel and Organizational Changes

During the fourth quarter, Ms. Iman El Sherif was engaged as our new Communications and Media Relations Advisor. Ms. Sherif will start in early January 2001 and be based at CMD's CMA office.

B. Short-Term Advisors Engaged During the Quarter

CMD engaged a total of 11 expatriate and 4 local short-term advisors during the quarter (see Tables 1 and 2). The input we receive from our highly qualified short-term advisors, both local and expatriate, provides us with specialized skills and adds depth to our long-term teams.

Table 1
Expatriate Short-Term Advisors Engaged
Fourth Quarter 2000

Name/Subcontractor	Primary Area of Assistance	Dates of Engagement
Jane Petit (Chemonics International Inc.)	Training Advisor (MCSD)	October 4-19
Lee Price (Chemonics International Inc.)	Investment Fund Performance Measurement Advisor (EIMA)	October 5-19
Mark Albert (Chemonics International Inc.)	Bankruptcy Advisor (MCSD)	October 6-19
Charles Willis (Chemonics International Inc.)	Internal Audit Advisor (MCSD)	October 28-November 27
Samer Badawi (Chemonics International Inc.)	Publications Advisor (MCSD)	November 4-19
Richard Smith (Chemonics International Inc.)	Transfer Agency Advisor (MCSD)	November 4-14
Molly Bayley (Institute for Public-Private Partnership)	Surveillance Advisor (CMA)	November 6-17
William McAndrew (Chemonics International Inc.)	Delivery versus Payment Advisor (MCSD)	November 12-19 December 3-18
John Costolos (Chemonics International Inc.)	Book Entry System & Delivery versus Payment Advisor (MCSD & CBE)	November 25-December 8
Lawrence Wells (Edelman Communications International)	Media Advisor (CASE)	November 25-December 20
Konnie Andrews (Chemonics International Inc.)	Publications Advisor (ECMA)	November 27-December 15

Table 2
Local Short-Term Advisors Engaged
Fourth Quarter 2000

Name/Subcontractor	Primary Area of Assistance	Dates of Engagement[*]
Mohamed Abdel Salam (Zarrouk, Khaled, & Co.)	Budgeting Manual (MCSD)	Oct. 1 and ongoing (intermittent)
Mona Samir (Arabsoft)	Analyst/Programmer (ECMA)	Oct. 1 and ongoing (intermittent)
Hisham El Masry (Arabsoft)	Hardware Procurement (CASE, MCSD)	Oct. 1 and ongoing
Amar Thakeb (CMD)	Layout and Graphic Design, Educational Brochures and other publications (ECMA, CMA)	Oct. 1 and ongoing (intermittent)

^{*} The dates only reflect time worked during 2000. They do not reflect time worked during CMD's first year of operation. "Ongoing" indicates that the assignment will be completed after the end of the reporting period.

SECTION II

Capital Market Authority

The CMA and CMD continued to focus their joint efforts on legal and regulatory initiatives during the quarter, completing summary outlines of new regulations covering net capital requirements for brokers and margin trading. We also completed and delivered a report proposing the basic elements of an investor protection fund (IPF) and a draft prime ministerial decree for the creation of the fund.

In another major initiative, CMD presented recommendations for improving market surveillance and enforcement to CMA Chairman Abdel Hamid Ibrahim and CASE Chairman Dr. Sameh El Torgoman. Both chairmen accepted the recommendations, which will be implemented jointly in 2001.

As in 1999, the project's Year-2000 activities are focused in four basic areas:

- Institutional Development and Training
- Information Technology Assistance
- Legal and Regulatory Assistance
- Public Awareness and Outreach

1. Institutional Development and Training

1.1 Corporate Planning and Organizational Development

Completing the CMA Process Model—Level Two

CMD delivered the second level of the CMA process model for the Market Operations Sector. The process model is a detailed diagram of information and work flows within and between CMA departments. The second level of the model includes the departments of Corporate Finance-Existing Companies, Corporate Finance-New Companies, and Surveillance, as well as two smaller departments, Inspection and Technical Expertise.

The process model will be used in 2001 to allow us to jointly identify bottlenecks and areas where information flow can be improved (see WP2001, CMA 1.2, 1.3). It has already been useful in specifying the requirements for automating the CMA's bond issuance and post-

Major Achievements: Fourth Quarter 2000

- Presented comprehensive recommendations and an implementation plan for improving market surveillance to the CMA and CASE chairmen and their senior staffs. Both chairmen approved the recommendations and plan. They will be implemented in 2001.
- Delivered report recommending the main elements of the Investor Protection Fund (IPF), designed to protect investors against the loss of securities or cash resulting from the insolvency or bankruptcy of a broker/dealer.
- Delivered a draft prime ministerial decree in Arabic and English for the creation of the IPF.
- Delivered Arabic and English summary outlines of draft regulations on net capital requirements for securities brokers and margin trading.
- Delivered Level 2 of the Process Model for the Market Operations Sector.
- Delivered draft of requirements report for an electronic system to track the bond issuance and post-issuance processes.
- Completed remodeling the CMA's surveillance workspace.
- Designed additional training to support the firewall security system provided by CMD.
- Completed phase II of a training program in for Egyptian financial journalists. The program taught financial and capital market topics in English. Fifteen journalists successfully completed the program.

issuance procedures and was used in CMD's examination of market surveillance capabilities at the CMA (see below and 1.2). During 2001, the second level of the process model will be extended to the CMA's Accounting and Financial Analysis Sector, which handles periodic filings from issuers (see WP2001, CMA 1.3).

Automating the Bond Issuance and Post-Issuance Procedures

CMD delivered a report specifying the requirements for an electronic system to track the CMA's bond issuance and post-issuance procedures. The report was reviewed and approved by CMA Deputy Chairman Ashraf Shamseldin with minor modifications. It is currently being Arabized for distribution to the CMA staff. Under the 2001 Work Plan, we will build and launch the system (WP2001, CMA 2.1).

1.2 Improving Market Surveillance, Compliance, and Broker Registration and Testing

Improving Market Surveillance and Enforcement

CMD short-term advisor Molly Bayley completed a comprehensive examination of market surveillance and enforcement capabilities in the Egyptian market and presented the recommendations and an accompanying implementation plan to the CMA and CASE chairmen. Both chairmen approved the recommendations and plan (see Box 1). Ms. Bayley was assisted by CMD short-term advisor Brian Riddell and the CMD long-term team.

The final report, which will be delivered early in first-quarter 2001, has nine sections. They cover organization/structure, staffing, resources, training, procedures and checklists, automation, technology, enforcement, and legal and regulatory structure. The appendices include a list of meetings attended by the advisor, an assessment of the CASE market surveillance program, an annotated table of contents for the surveillance investigations manual, and a sample agenda for the market surveillance training program.

Remodeling the CMA's Surveillance Workspace

CMD completed remodeling the CMA's surveillance workspace. Our efforts have increased the functional working area available to the department and improved the infrastructure to more effectively accommodate computer equipment. In first-quarter 2001, we will complete the installation of cabling and connections between the CMA's computer room and the new

Box 1

Recommendations for Improving Market Surveillance and Enforcement

CMD's recommendations for improving market surveillance and enforcement, drafted with the assistance of short-term expatriate advisor Molly Bayley, include the following:

- The CMA should prepare to delegate online surveillance responsibilities to CASE in the context of the exchange's development into a self-regulatory organization (SRO). To prepare for this delegation of responsibilities, CMD will train analysts at both CASE and the CMA in online surveillance and develop a procedures manual for the two staffs. It will also provide training to the CMA analysts in overseeing the CASE surveillance function.
- CASE is completing the development of the three stages of its stock-watch system. When this is completed and the CASE analysts are fully trained, CASE will be capable of effectively conducting online surveillance under the supervision of the CMA.
- The CMA should improve its offline surveillance and investigation capabilities. CMD will provide training to the CMA in these areas. It will also develop procedures manuals for use by the CMA staff.

surveillance room. After these modifications are finished, the CMA's surveillance staff will occupy and begin using the remodeled workspace.

1.3 Facilitating the Introduction of New Financial Instruments

CMD focused its efforts during the fourth quarter on new short-term money market instruments. This activity is discussed in the CBE section of this quarterly report (see Section VI, 1.2).

1.4 Increasing the Functional Capacity and Abilities of the CMA Staff

CMD continued its training activities for the CMA's professional staff. The activities include on-the-job training and specialized workshops using the resources of our long-term team and short-term advisors.

On-the-job Training and Specialized Technical Assistance

CMD continued to offer on-the-job training to the CMA's staff. Specialized assistance to the corporate finance and other departments included the following:

- Assisted the CMD with the review of a prospectus for an upcoming bond issue, and drafted two memoranda outlining major accounting and other concerns that should be resolved before the issue is approved.
- Completed Arabic and English materials for two workshops on modern valuation techniques and started developing materials for a third workshop. The workshops, which were rescheduled due to internal changes at the CMA, will take place in 2001.

DT2-sponsored Training Programs and CACE English-Language Training

CMD continued to sponsor attendance by CMA staff members at DT2-funded training programs. These programs were developed in close cooperation with the CMA's senior management and have been selected to increase the CMA staff's functional abilities in a wide range of areas. The training programs conducted in the fourth quarter are summarized in Appendix B.

1.5 Additional Institutional Development and Training Activities

CMD laid out, printed, and distributed the Market Demand Study completed by a group of leading Egyptian researchers led by Dr. Hanaa Khier El-Din. In total, 1,000 copies of the report were delivered to the CMA for distribution to other institutions and market participants.

2. Information Technology Assistance

2.1 Developing an Electronic Database for Filing and Retrieving Corporate Information

As noted above (CMA 1.1), CMD drafted and delivered a requirements report for an automated system to track the CMA's bond issuance and post-issuance procedures. This system, scheduled for development and launch in 2001, will be the initial component of the electronic filing and retrieval system for corporate information. In 2001, CMD will also

develop functional and detailed designs for an electronic system to monitor the CMA's procedures for receiving, tracking, and monitoring the distribution of periodic filings from issuers (WP2001, CMA 2.2). This will be the second component of the electronic filing and retrieval system.

2.2 Improving the Functioning and Security of Electronic Systems

CMD designed the requirements for a program to train CMA staff members in maintaining the firewall security system. These training programs will be funded through DT2 and commence in first-quarter 2001. The training includes the following courses related to managing and maintaining the system on which the firewall operates (SOLARIS):

- Fundamentals of SOLARIS
- SOLARIS System Administration I

2.3 Developing a Computerized Archiving System for CMA Documents

The CMA informed CMD that a document archiving system is its number one priority for automation in the year 2001. CMD will develop a strategy for general document management at the CMA and concentrate its efforts on a pilot project in the Market Operations Sector. The system design will take into account the existing CMA work flow, as detailed in the Process Model, and allow for future expansion of the system to other sectors. As proposed, the document archiving system is not a substitute for the a future CMA move to the electronic filing and retrieval system (CMA 2.1).

3. Legal and Regulatory Assistance

3.1 Improving the Legal and Regulatory Structure

Net Capital and Margin Trading Regulations

CMD delivered Arabic and English summaries of new draft regulations on net capital requirements for securities brokers and margin trading. The summaries are currently being reviewed by the CMA Chairman and his senior staff, and the regulations, which were drafted by CMD's U.S.-based legal subcontractor Winston & Strawn, are being reviewed and modified by CMD's long-term team. A summary of CMD's draft regulations is included in our previous quarterly report (see QPR Third Quarter 2000, Section II, 3.1). After comments are received from the CMA in first-quarter 2001, we will finalize the regulations (see WP2001, CMA 3.1).

Financial Disclosure

CMD received a draft evaluation and recommendations report on financial disclosure from its short-term expatriate advisor. The report is currently being reviewed by CMD's long-term team. The findings will be combined with those of previous reports on non-financial disclosure. A comprehensive evaluation and recommendations report will be delivered to the CMA in 2001 (see WP2001, CMA 3.3).

3.2 Establishing an Investor Protection Fund

CMD and its U.S.-based legal subcontractor Winston & Strawn completed and delivered a report on the proposed elements of an investor protection fund (IPF) in Egypt. For the purpose of comparison, the report is accompanied by appendices summarizing the main features of the U.S. Securities Investor Protection Corporation (SIPC), the U.K. Investors Compensation Scheme (ICS), and the Canadian Investor Protection Fund (IPF). A ministerial decree for the creation of the fund was also drafted and delivered.

In the report, CMD proposes that the fund should be a separate entity regulated by the CMA. The IPF will insure securities investors in Egypt against loss of cash and securities caused by the insolvency or bankruptcy of a securities intermediation company. The report recommends the fund's basic elements in the following areas:

- Organization and administration, including its board of directors
- Regulatory and enforcement powers
- Regulatory oversight
- Protection afforded to customers of insolvent or bankrupt securities intermediaries
- Methods of paying customers of insolvent or bankrupt securities intermediaries
- Sources of funding

CMD will discuss the fund's basic elements, as well as the decree, with the CMA Chairman and his senior staff during first-quarter 2001. After the decree is finalized, we will draft and deliver the necessary executive regulations and develop a plan for the fund's implementation (see WP2001, CMA 3.2).

3.3 Creating Self-Regulatory Organizations (SROs)

CMD received a draft copy of the new Capital Market Law from the CMA and started a translation. After the translation is completed, we will review and comment on the draft law.

4. Public Awareness and Outreach

4.1 Training Financial Journalists

Financial English training, phase II of a program for financial journalists, finished in December. The program, which was funded through DT2 and conducted by the Arab Academy for Science, Technology, and Maritime Transport (Alexandria), covered financial market topics and was taught in English (complementing the phase I course, which was taught in Arabic). Sixteen journalists were tested at end of the course, 12 of whom passed.

In 2001, we will work with DT2 and the CMA Chairman to plan and organize a study tour to the U.S. for the top five finishers in the two phases of the financial journalists training program (WP2001, CMA 5.1).

4.2 Improving Press Relations and Public Outreach

CMD continued developing a series of four investor education brochures. They are being produced under the sponsorship of ECMA (see Section V, 4.3).

4.3 Establishing a Website

The CMA website operated successfully throughout the reporting period on the CMA's servers. It is currently protected by the CMD-procured firewall security system. Despite its successful operation, CMD and USAID have noted some problems with outdated content on the site. We will address this issue with the CMA in 2001.

4.4 Improving the Quality of Financial Journalism on Television

Financial News Segments

CMD continued its ongoing support for Egyptian TV's nightly financial news segment and daily market closing report. Both segments appear on Egypt's Channel One and are repeated on other channels throughout the evening. CMD assisted with the effective presentation of graphical material on both shows.

Educational Video Series Pilot

This initiative is being conducted under the sponsorship of ECMA (see Section V, 4.1).

SECTION III

Cairo and Alexandria Stock Exchanges

CMD delivered draft listing rules to CASE during the quarter. They were completed by CMD short-term expatriate advisor Brian Riddell based on a previous CASE draft, discussions with CASE Chairman Dr. Sameh El Torgoman, and comments from the CASE staff. Mr. Riddell will continue to assist CMD throughout 2001, cooperating closely with the CASE management and staff.

As in 1999, the project's Year-2000 activities are focused in four basic areas:

- Institutional Development and Training
- Information Technology Assistance
- Legal and Regulatory Assistance
- Public Awareness and Outreach

1. Institutional Development and Training

1.1 Corporate Planning and Organizational Development

With the assistance of the USAID-funded DT2 project, CMD continued to provide training programs to the CASE management and staff. These programs are summarized in Appendix B.

1.2 Improve Procedures for Managing Market Operations

Surveillance and Enforcement

As discussed in the CMA section of this report (Section II), short-term expatriate advisor Molly Bayley completed and presented recommendations for improving market surveillance and enforcement in the Egyptian market. The CASE and CMA chairmen accepted the recommendations. In 2001, they will be implemented jointly by the CMA, CASE, and CMD (see WP2001, CASE 1.2 and CMA 1.1).

2. Information Technology Assistance

2.1 Improve Data-Processing Systems

Upon CASE approval of the Arabizations of the first two users manuals and accompanying glossaries of terms, CMD will complete the Arabization of a third manual for the new trading system. The glossaries are necessary to ensure that the Arabic terms in the manuals match the terms in the Arabized software. CASE and the software developer are translating the trading screens and adapting them to the Egyptian market. After comments on the first two manuals are received and the glossaries are approved, CMD will complete the Arabization of the third manual.

Major Achievements: Fourth Quarter 2000

- Drafted and delivered new listing rules for CASE review and recommended changes to the structure of the stock market in Egypt.
- Completed and presented a comprehensive evaluation of market surveillance and enforcement in the Egyptian market jointly to CASE and the CMA. The recommendations and accompanying implementation plan were approved by the CASE and CMA chairmen.

As reported previously, CMD completed the procurement and delivery of hardware to support the exchange's new trading system in the first half of the year. CASE is currently installing and testing the system. Reports indicate that the new trading floor will be opened and the trading system launched in the first quarter of 2001.

3. Legal and Regulatory Assistance

3.1 Improve Current Rules Governing Exchange

Listing Rules

CMD short-term expatriate advisor Brian Riddell drafted new listing rules for the exchange, incorporating aspects of CASE's previous draft. In a meeting in Boston, the CASE Chairman and Mr. Riddell determined that the previous draft of the listing rules should be modified to conform to the overall structure established by the board of directors rules and membership rules that were jointly drafted by CMD and CASE in the third quarter. These new rules also incorporate changes to the overall structure of the market, another issue discussed by Mr. Riddell and Chairman Torgoman (see Box 1).

The draft listing rules include provisions in the following areas:

- Listing and de-listing decisions
- The structure of the primary and secondary markets
- Listing of foreign securities, preferred stock, and debt instruments
- Corporate governance
- Redemption of listed securities
- Disclosure requirements and prohibitions
- Rumors
- Trading halts and suspensions
- Issuers rights to a hearing
- Sanctions

Box 1: Recommendations on the Structure of the Market

In the initial draft of the new listing rules, Mr. Riddell recommends the development of two primary markets—one for actively traded shares and the other for inactive and relatively inactive securities. The first primary market would be organized as a continuous auction market and second primary market as a single-priced auction conducted at least once (or two to three times) per day. These changes would replace the two official lists and two unofficial lists currently in place, increasing clarity for both domestic and international investors. Companies that do not meet the requirements for listing on the primary markets might trade on the OTC market. As they reflect a major reorientation of the exchange, the CASE Chairman said that these recommendations would be considered in the context of 2001's strategic planning efforts.

CMD will assist CASE with the finalization of these rules in 2001. It should be noted that recent announcements in the media indicate that the CASE Chairman may reschedule submission of the listing rules to the CMA until after the draft of the new Capital Market Law is finalized.

Membership and Board of Directors Rules

After being jointly drafted by CASE and the CMD project, the new membership and board of directors rules are currently being finalized by the CASE management and legal team.

3.2 Advise and Assist with the Creation of SROs

The three sets of rules drafted by CASE and CMD (board of directors, membership, and listing rules) will serve as a foundation for the exchange's operations as it develops into an SRO. The remainder of CMD's legal work in this area is connected to its review of the new Capital Market Law, a draft of which was received from the CMA at the end of the fourth quarter (see Section II, 3.3).

4. Public Awareness and Outreach

4.1 Enhance Awareness of Investors, Students, and the General Public

Educational Video Series Pilot

The educational video task is being conducted under the sponsorship of ECMA (see Section V).

Educational Brochures

CMD initially planned to produce a series of educational brochures in cooperation with the CASE Marketing Department, but follow-up discussions revealed that CASE preferred to develop its own materials. The CMD-produced brochures will be sponsored by ECMA (see Section V).

SECTION IV

Misr for Clearing, Settlement, and Depository

CMD and MCSD moved forward on a wide range of initiatives during the fourth quarter. In an important achievement, the MCSD Board of Directors approved a new organizational structure and job descriptions document, drafted and subsequently modified by CMD. The document includes provisions for the creation of a participants advisory committee and an internal audit committee. CMD and MCSD also continued efforts to improve the company's internal audit function and budgeting methods, and conducted workshops to resolve issues related to the implementation of a securities lending and borrowing service and to specify changes to bankruptcy law needed to reduce legal risks associated with the clearance and settlement of securities.

As in 1999, the project's Year-2000 activities are focused in four basic areas:

- Institutional Development and Training
- Information Technology Assistance
- Legal and Regulatory Assistance
- Public Awareness and Outreach

1. Institutional Development and Training

1.1 Document Services, Systems, and Controls

Organizational Structure and Job Descriptions

CMD revised the Organizational Structure and Job Descriptions report developed in 1999. The revisions were designed to bring the document in line with the new Central Securities Depository and Registry Law (Law 93/2000). It includes the following new features:

- Separation of depository, clearance, settlement, and registry services.
- Establishment of risk management, audit, and participant advisory committees reporting to the board of directors.

Major Achievements: Fourth Quarter 2000

- Conducted workshop for market participants on securities lending and borrowing service, resolving the issues for implementation of the service.
- Conducted second workshop on bankruptcy law and the capital market for MCSD, CASE, and interested attorneys and judges, proposing amendments to bring Egyptian law in line with international standards and reduce legal risks related to clearance and settlement.
- Revised organizational structure and job descriptions report to account for provisions of the new Central Securities Depository and Registry Law.
- The MCSD Board of Directors approved the new organizational structure and job descriptions, which includes provision for the creation of participants advisory and internal audit committees, major CMD goals.
- Initiated examination of the obstacles to the implementation of true delivery versus payment (DvP) in the Egyptian marketplace.
- Delivered final report evaluating MCSD's internal audit function and recommending improvements.
- Drafted internal audit manual, providing a clear mandate for the Internal Audit Department and specifying its responsibilities.
- Conducted second phase of advanced training-of-trainers course.
- Delivered training to MCSD managers on implementing the budgeting manual.

- Creation of a technical support department to service participants.

The MCSD Board of Directors approved the revised document, sanctioning the eventual creation of the participant advisory and audit committees. CMD will help implement the Participants Advisory Committee starting in first-quarter 2001 by facilitating the creation of a forum on operational issues that brings together MCSD management and staff with participant representatives (WP2001, MCSD 1.1).

Internal Audit Function

CMD and local subcontractor Zarrouk, Khaled, & Co. delivered the final version of a report evaluating MCSD's current internal audit capabilities, and with short-term advisor Charles Willis and MCSD's staff, drafted an internal audit manual. The evaluation indicated that improvements in several areas are warranted, including the following:

- The internal auditing department does not have a clear mandate nor does its staff have a clear understanding of their functions and responsibilities within the organization.
- The internal auditing department does not have written policies and procedures to guide their activities, nor do they have a code of conduct.
- Current internal audits are limited to financial information.
- While internal auditors have knowledge of many of MCSD's operations, they do not have training in the practice of internal auditing.

The internal audit manual and accompanying training program are designed to overcome these challenges, allowing MCSD to establish a sound internal audit function. The manual, which will be finalized and delivered in first-quarter 2001, covers the following areas:

- Administration
- Management
- Working papers
- Work programs

The administrative section of the manual outlines the roles and responsibilities of the Board of Directors' Audit Committee, and the management section outlines policies and procedures for managing internal audits. These sections will establish a clear mandate for the Internal Audit Department and specify its responsibilities. The final two sections were developed based on an internal risk assessment of MCSD as an organization and on interviews with staff in the various departments.

During first-quarter 2001, CMD will initiate on-the-job training for MCSD's internal auditors, accompanying them during their first comprehensive audit of the company's operations (WP2001, MCSD 1.4).

Budgeting Manual

CMD developed and conducted a training program for MCSD managers on implementing the budgeting manual. The training program was developed in partnership with MCSD's Deputy Chairman and implemented by local subcontractor Zarrouk, Khaled, & Co. (see Box 1 for a discussion of the new budgeting methods). It included three, four-hour sessions for 46 MCSD mid-level managers and covered the following topics:

- Objectives of the budgeting system
- Preliminary steps in developing budgets and the roles of the budgeting committee
- Estimating revenues and fee drivers
- General expenses budget
- Capital budget
- Cash-flow budget
- Review of the fee structure
- Projected financial statements
- Budgetary control

Box 1

Introducing New Budgeting Methods

The budgeting manual and training program are designed to help MCSD create and operate a sound budgeting system that provides management with an effective tool for developing accurate and reliable projections of revenues and costs, allowing better planning and control of operational and capital expenditures. A central element of the new budgeting procedures is the involvement of middle managers in the budgeting and budget implementation processes. This will enable the managers to make more informed financial decisions, especially those related to fee structure, staff remuneration, and investments in new systems and operations. This task is driven by the regulatory requirements of a self-regulatory organization (SRO)—i.e., service fees that fairly and reasonably allocate costs among users while keeping them as low as possible and ensuring the long-term financial stability of MCSD.

In 2001, we will supplement the budgeting manual with a cost accounting system. It will set a reliable and objective basis for allocating costs to cost centers and services. This will help MCSD to develop accurate estimates for budgeting and pricing services.

1.2 Strengthen Training Capacity

Advanced Training of Trainers

CMD and short-term expatriate advisor Jane Pettit delivered the second phase of an advance training-of-trainers program. The two-week program taught selected MCSD staff members how to identify and target presentations to specific audiences, develop materials, and distinguish the services provided by the company from the benefits of those services to users and others. As part of the program, the participants developed a five-day course for bookkeepers and an accompanying instructor's manual. Mock presentations for issuers, bookkeepers, and the media were also conducted and critiqued.

DT2 Training Programs

CMD continued to sponsor attendance by MCSD staff members at training programs provided through the USAID-funded DT2 project. These training programs were selected in partnership with the MCSD management and are designed to increase the overall functional capacity and abilities of the MCSD staff. Appendix B provides a summary of the programs conducted during the third quarter.

2. Information Technology Assistance

2.1 Upgrade Computer and Network Management Systems

Firewall Procurement and Installation

The firewall security system procured and delivered by CMD in the third quarter is fully functioning at MCSD. To increase MCSD's ability to manage the firewall, we designed and started implementing a training program through the USAID-funded DT2 project. The training includes courses related to the management of the system on which the firewall operates (SOLARIS) and the communication system used between MCSD and brokers, as well as between different MCSD locations (CISCO). The four courses are:

- Fundamentals of SOLARIS
- SOLARIS System Administration I
- BSMSN-Building Cisco Multilayer Switched Networks
- CIT-Cisco Internetworks Troubleshooting

Network Management System

CMD and MCSD completed evaluating responses to the request for proposals (RFP) for a network management system, attended presentations by prospective providers, and issued a request for best and final offers (BAFO). The provider was selected and the contract was issued in January 2001. The provider will deliver and install the network management software during first-quarter 2001 (see Box 2 for an overview of the benefits of the system).

3. Legal and Regulatory Assistance

3.1 Improve the Legal Structure Governing MCSD Operations

Central Securities Depository and Registry Law and its Executive Regulations

The MOEFT, CMA, and MCSD are currently finalizing the executive regulations for the Central Securities Depository and Registry Law (Law 93/2000). CMD delivered Arabic and English versions of these regulations in the third quarter. We plan to assist with the finalization process during early 2001.

Bankruptcy Provisions and the Legal Risks Associated with Clearance and Settlement

CMD and short-term expatriate advisor Marc Albert conducted a second workshop on bankruptcy provisions in Egyptian law. To MCSD, CASE, and interested attorneys and

Box 2

Benefits of Network Management Systems

Despite their high reliance on computer networks, many organizations have limited information about network performance and utilization. The actual workings of the network is not clearly known, and therefore, network management teams can only react to problems as they occur. A network management system provides network managers with the proactive control they need to deliver reliable network services to their customers, both internal and external to the organization.

Network management systems like the one being procured for MCSD provide five essential technologies—each designed to support a specific phase in the network management process:

- Network availability management
- Network performance measurement
- Network security management
- Network planning management
- Network bandwidth management

judges, Mr. Albert presented the relevant bankruptcy provisions in U.S. law—as well as those in Canada and Mauritius—for implementing Group of Thirty on Clearance and Settlement (G-30) standards. The provisions are designed to minimize the legal risks associated with clearance and settlement. During the workshop, participants agreed that similar provisions would need to be developed in Egypt as part of the Executive Regulations to the new Central Securities Depository and Registry Law (Law 93/2000). CMD subcontractor Shalakany Law Offices and the CMD long-term legal team assisted with the development of the presentation and participated actively in the workshop.

In 2001, we will draft specific amendments and conduct a third workshop for MCSD, CASE, and interested attorney's and judges.

Central Registry Service

MCSD requested CMD's assistance in establishing a central registry service as mandated by Law 93/2000. During the fourth quarter, CMD short-term expatriate advisor Richard Smith drafted a request for proposals (RFP) for technical assistance during the service's implementation. After the RFP was drafted, the board requested that CMD and Mr. Smith assist with all phases of the development process, helping coordinate and plan the efforts of MCSD and a provider of technical assistance, most likely the Bank of New York (BONY). Mr. Smith will return to Cairo in January 2001 to develop an implementation plan for the service.

Delivery versus Payment (DvP)

MCSD, CMD, and short-term expatriate advisors William McAndrew and John Costalos examined the current state of delivery versus payment (DvP) in the Egyptian marketplace, and developed recommendations for instituting true DvP in accord with international standards (see Box 3). The recommendations, which were drafted by Mr. McAndrew and reviewed by Mr. Costalos, were developed based on interviews and discussions with representatives from the CBE, MCSD, the European Union (EU), banks, and brokerage houses.

Box 3

What is DvP According to International Standards?

The Group of Thirty on Clearance and Settlement (G-30) recommends that the delivery of securities and the payment of the purchase price be simultaneous—i.e., final, irrevocable, and available to the payee at the time the payee's securities are delivered. These qualities of payment are essential to achieve the international standard known as DvP. Most securities clearing and settlement systems around the world claim to comply with this standard, but, in reality, very few countries actually do.

MCSD operates a "Model 2" DvP system. The Bank for International Settlement (BIS) defines a Model 2 system as one that settles securities transfer instructions on a gross basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but that settles fund transfer instructions on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.

CMD and MCSD uncovered a number of concerns with the implementation of this model in Egypt, most of which will be relatively easy to resolve. These issues and proposed solutions will be addressed during a January 2001 workshop and fully discussed in our final report on DvP, due in first-quarter 2001.

CMD will present its findings and recommendations during a workshop for the CBE, MOF, MCSD, and local and international banks. Following the workshop, which is scheduled for January 2001, we will release the final version of the evaluation and recommendations report.

3.2 Securities Lending and Borrowing Service and SGF Assistance

MCSD and CMD short-term advisor Charles Rubin conducted a workshop on securities lending and borrowing for industry representatives. Mr. Rubin presented the basic features of the service and led a discussion of the issues that need to be resolved before the service is launched. A status report distributed before the workshop outlined nine issues, proposing solutions to each (see QPR, Third Quarter 2001 for an overview of the issues). During the workshop, all nine issues were resolved.

Mr. Rubin will return to Cairo in January 2001 to assist with the implementation of the service, in particular to assist the MCSD IT Department with defining the business requirements and programming specifications. The service is scheduled for launch in mid-2001.

4. Public Awareness and Outreach

4.1 Implement Integrated Communications Strategy

CMD will engage a short-term expatriate advisor from subcontractor Hill & Knowlton to help MCSD implement the communications strategy developed by the project in 1999 after MCSD hires a full-time communications specialist, with whom the CMD advisor will work closely. CMD delivered a draft advertisement and job description for the position, and MCSD is currently recruiting. We will assist with the recruitment effort in early 2001.

4.2 Develop Sustainable Website

CMD has offered to provide editorial assistance on MCSD's English website. This assistance will commence in 2001.

SECTION V

Securities Industry

In a major initiative, CMD and EIMA developed standards for the measurement of investment performance in Egypt. These standards—based on the Global Investment Measurement Standards (GIPS) developed by the Association for Investment Management Research (AIMR) and accepted in more than 29 countries—will be finalized with CMD assistance 2001. CMD also worked closely with ECMA to outline the topics for a forum for the association’s members and groups, and started assisting EIMA with the development of a certification course for investment managers.

Major Achievements: Fourth Quarter 2000

- Developed and drafted, in close coordination with EIMA, Egyptian standards for measuring investment performance.
- Developed and proposed topics for a forum for ECMA members, to be conducted throughout 2001.
- Initiated assistance to EIMA on the establishment of a certification program for investment managers.

For both ECMA and EIMA, the project’s activities are focused on two areas—institutional development and training and public awareness and outreach.

A. Egyptian Capital Market Association (ECMA)

1. Institutional Development and Training

1.1 Develop Organizational and Membership Structures Needed to Become an SRO

ECMA is currently assessing its development plans in the context of the release of a draft of the new Capital Market Law. The law includes limited reference to “an association of companies working in the field of securities,” stating that its membership, objectives, powers, and other characteristics will be determined by ministerial decree (Article 25). ECMA is assessing the provisions of the law and will provide comments to the CMA in early 2001.

CMD will continue to assist ECMA as it evaluates and comments on the draft law and considers options for the future. In an initial step, CMD is collecting information on securities industry associations in developed and emerging markets to provide ECMA with examples for its development. This information will be delivered during first-quarter 2001 (WP2001, ECMA 1.1).

1.2 Improved and Expanded Training and Certification Programs at ECMA

This task has been moved to the 2001 Work Plan.

2. Information Technology Assistance

CMD continues to support the training database that it developed for ECMA in 1999. It is also supporting a CMD-developed database of employees of member firms. Both databases are functioning effectively.

3. Legal and Regulatory Assistance

CMD's legal and regulatory assistance to ECMA is related to the association's SRO-development efforts. Currently, we are focused on reviewing the draft of the new Capital Market Law (see above, Section 1.1).

4. Public Awareness and Outreach

4.1 Develop a Forum on Financial Instruments and Assist with ECMA's Existing Forum

CMD proposed a series of forums on topics of interest to ECMA members and the wider capital market community. The topics were approved by ECMA as part of the work-planning process (WP2001, ECMA 2.1). They include:

- The roles and responsibilities of investor relations departments
- Rules for tender offers
- Transparency in trading rules and surveillance
- How to deal with securitization, especially mortgage-backed securities (in anticipation of the new Mortgage Law)
- Disclosure by issuers
- The characteristics of selected new financial instruments and the potential for their introduction in the Egyptian capital market

4.2 Develop Sustainable Website

CMD will assist ECMA with its website after it has made decisions about its future as an organization. Based on these decisions, we will assist ECMA with designing a site to effectively present needed information to member firms and the investing public (see WP2001, ECMA 2.3).

4.3 Additional Public Outreach Tasks

Educational Brochures

The four educational brochures were translated into Arabic during the quarter, and CMD engaged a short-term local advisor to assist with ensuring that the translations are readable and addressed to the appropriate audience. We completed a design concept for the series and created graphics for insertion into the text. We will finalize and publish the brochures in 2001. They will be distributed through ECMA's member firms to new and prospective investors, as well as to other key groups—e.g., secondary school and university students.

Educational Video Series

CMD and subcontractor Edelman Communications International (ECI) revised the pilot for the educational video series and presented it to USAID for approval. USAID granted

conditional approval to proceed with the series after minor modifications are made to the pilot. ECI is currently making these modifications.

B. Egyptian Investment Managers Association (EIMA)

1. Institutional Development and Training

1.1 Develop Certification Program at EIMA

EIMA is developing a program that is equivalent to or could complement the CFA program offered by AIMR. CMD will engage short-term expatriate advisor Lee Price (from AIMR) to evaluate the proposed curriculum. We will also provide instructors for units where no expertise exists in Egypt. The assistance with the units will be coordinated with and funded through DT2.

1.2 Assist EIMA with Organizational Development

After extensive discussions about its future, EIMA decided to focus on developing into a strong professional and lobby association for the members of the investment management community rather than an SRO. EIMA is currently reviewing its specific development plans in the light of the draft of the new Capital Market Law.

We will provide information on similar associations in developed and emerging financial markets in 2001, assisting EIMA with the finalization of its development plans (see WP2001, EIMA 1.1).

1.3 Additional Institutional Development and Training Activities

CMD engaged short-term expatriate advisor Lee Price to assist EIMA with the development of international-standard guidelines for measuring investment performance. In close consultation with EIMA members, Mr. Price drafted the Egyptian Investment Performance Standards (EIPS). After these standards are finalized, they will be incorporated into EIMA's code of ethics. The EIPS are based on the Global Investment Performance Standards (GIPS), which were developed by AIMR and have been accepted in more than 29 countries.

Mr. Price is chairman of the international GIPS Committee, which has the objective of obtaining worldwide acceptance of a standard for the calculation and presentation of investment performance in a fair, comparable format that provides full disclosure (see Box 1 for the major objectives that will be achieved through the introduction of the EIPS).

Box 1 Objectives of EIPS

The draft Egyptian Investment Performance Standards (EIPS) are designed to accomplish the following major objectives:

- Foster voluntary compliance with a code of ethics within the Egyptian investment management industry.
- Promote fair competition between investment firms within Egypt without creating barriers to entry for international firms.
- Ensure accurate and consistent investment performance data for reporting, record keeping, marketing, and presentation.
- Conform to an accepted global standard for the calculation and presentation of investment performance in a fair, comparable format with full disclosure.

The draft of the EIPS is currently being discussed by EIMA's member firms. Mr. Price will be engaged in 2001 to assist with the finalization of the standards and the development of a presentation to the international board (WP2001, EIMA 1.2).

4. Public Awareness and Outreach

4.1 Increase Effectiveness of EIMA's Public Outreach and Awareness Efforts

EIMA has asked CMD to put this task on hold until a replacement for Executive Director Hatem Gamal has been identified.

SECTION VI

Central Bank of Egypt

CMD and the CBE moved forward on the development of the book-entry registry for Treasury bills (T-bills), completing a draft functional analysis report. CMD also continued to assist the CBE and MOF with the development of the primary dealer system and to work with local banks and the CBE Bank Control Department on proposals to issue new financial instruments, in particular negotiable certificates of deposit (CDs) and reservable T-bills.

Major Achievements: Fourth Quarter 2000

- Assisted local banks as they considered the development of proposals to issue negotiable certificates of deposit (CDs).
- Coordinated efforts to develop the primary dealer system with the CBE and MOF.
- Completed a draft functional analysis report for the book-entry registry for Treasury bills (T-bills).

The project's year-2000 activities are focused in two basic areas:

- Institutional Development and Training
- Information Technology Assistance

1. Institutional Development and Training

1.1 Facilitate the Introduction of New Financial Instruments

Two potential issuers of negotiable CDs requested CMD assistance with assessing the benefits of issuing this type of instrument versus other forms of short-term debt. CMD assisted the banks with outlining the regulatory and legal issues involved in issuing negotiable CDs including the implications for reserve requirements and the relative credit standing of different types of financial instruments.

CMD continued to discuss the regulatory, reserve requirement, and tax issues related to the issuance of negotiable CDs with the CBE Bank Control Department. CMD advised that to successfully introduce this instrument, the CBE should consider lowering the reserve requirements to enable CDs to compete with commercial paper (on which there are no reserve requirements).

In addition, CMD advised the CBE on the use of government bonds for monetary policy repurchase agreements. The current obstacle to the use of bonds for this purpose is the impossibility of settlement in a timely fashion.

1.2 Improve the Efficiency of Government Securities Markets

Primary Dealers

CMD is coordinating the development of the primary dealer system with the CBE and MOF. CMD and U.S. Treasury Advisor Keith Krachak presented a revised and streamlined action plan for the implementation of the primary dealer system to the CBE Governor and, at his request, to the CBE sub-governors at the end of the third quarter. This action plan is currently being implemented under the joint auspices of the MOF and CBE, with assistance

from CMD and the U.S. Treasury (see Section VII, 1.1 and WP2001, CBE 1.1 and MOF 1.1-3).

Assistance to the TAPR Pension System Reform Project

CMD's Money and Bond Markets Advisor John Noonan delivered presentations at four sessions of a workshop on "Investment Opportunities in the Egyptian Money and Bond Markets." The workshop was organized by the USAID-funded TAPR Pension System Reform project. The four presentations covered the uses of bonds as investment instruments for pension fund managers and regulators, with the objective of increasing institutional investment in government and corporate bonds. TAPR reports that the presentations were very well received by workshop participants.

2. Information Technology Assistance

2.1 Develop a Book-Entry Registry for Government Securities

The CBE and CMD completed a draft functional analysis report for the electronic book-entry registry for government securities. The report is based on an extensive and detailed analysis of the CBE's needs and those in the market for government securities. Initially, the system will serve as a book-entry registry for T-bills. The functional analysis report was reviewed by short-term expatriate advisor John Costalos and is currently being Arabized for distribution to the CBE staff.

In January 2001, the CBE Governor granted formal approval to begin developing the book-entry registry. CMD plans to complete development of the book-entry registry during the first half of 2001 (see WP2001, CBE 2.1). As an interim step, we are investigating the possibility of installing a basic electronic registry developed by the International Monetary Fund (IMF). The IMF registry will provide the bank's staff with hands-on experience in running and maintaining an electronic registry while we jointly build a more complete registry to meet the CBE's full requirements.

SECTION VII

Ministry of Finance

CMD and the MOF continued efforts, coordinated with the CBE, to establish a primary dealer system. At the beginning of the quarter, we delivered an action plan outlining the development process, including a list of inhibitions to the creation of active primary and secondary markets for government securities. CMD also continued to provide on-the-job training to the MOF staff in relation to Egypt's upcoming debut sovereign bond issue on international markets, as well as training and development assistance to the new Debt Management Department.

Throughout its work with the MOF, CMD is coordinating closely with Keith Krchack, advisor from the U.S. Treasury's Office of Technical Assistance.

Major Achievements: Fourth Quarter 2000

- Conducted extensive on-the-job training in the selection of lead managers and issuer's counsel, assisting the MOF with preparations for Egypt's debut sovereign bond issue on international markets.
- Delivered action plan for the creation of the primary dealer system, outlining the inhibitions to active primary and secondary markets that should be resolved.
- Coordinated meetings between the Minister of Finance and potential primary dealers.
- Provided extensive on-the-job training to the manager and a staff member of the MOF's Debt Management Department.

1. Institutional Development and Training

1.1 The Creation of a Primary Dealer System

Action Plan and Inhibitions to Trading

CMD delivered an action plan for the creation of primary dealers to Minister of Finance H.E. Dr. Medhat Hassanien at the beginning of the quarter. The plan proposes the steps and timing for the creation of the system, including the following:

- Recruitment of dealers
- Vetting and resolving legal, regulatory, and tax inhibitions to the establishment of active primary and secondary markets for government securities (see Box 1)
- Roundtables for potential dealers, including treasurers, traders, comptrollers, accountants, operations officers, and compliance officers.
- Development of the draft primary dealer decree

CMD and the MOF are moving forward successfully in each of these areas. Nonetheless, the creation of the primary dealer system, initially expected by first-quarter 2001, was rescheduled until later in 2001 to allow the ministry time to concentrate on preparations for the upcoming sovereign bond issue (see below, Section 1.2).

Potential Primary Dealers

Based on a CMD and U.S. Treasury recommendation, the MOF is actively including potential primary dealers in the creation of the system. An initial meeting between the dealers and the Minister, arranged by CMD, was conducted in the fourth quarter. The meeting was coordinated through Egyptian Dealers Association (EDA), a private voluntary association created under the Ministry of Social Affairs. The EDA plans to develop into an association for the primary dealers of government securities.

The MOF, potential dealers, and CMD are considering and will propose solutions for resolving two major inhibitions to the creation of liquidity in the market for government debt: difficulties financing inventories and issues related to the settlement system for both securities and cash payments.

In 2001, CMD, in conjunction with the U.S. Treasury's Office of Technical Assistance, will assist the EDA with establishing and conducting training for dealers.

Debt Management Department

CMD helped the MOF recruit a staff member to assist the head of the Debt Management Department. We also continued our training program for these staff members. Much of this training focused on the upcoming sovereign bond issue (see below, Section 1.2), but training was also conducted to prepare the MOF to assume a more active role as the issuer and manager of Egypt's government debt. The sessions covered principles and techniques of debt management, including the following:

- Need for the regular issuance of debt to enable investors and intermediaries to plan their activities in the marketplace.
- consistency for the marketplace
- Need to announce the debt issuance schedule on an annual basis to ensure transparency and increase predictability for the marketplace.

Box 1. Issues Related to the Creation of Primary Dealers

CMD and the U.S. Treasury are working closely with the MOF to identify and resolve a number of issues that affect the successful creation and operation of the primary dealer system. These issues fall into three areas—legal, regulatory, and tax—and include the following:

Legal

- Inability of dealers to make markets—buy and sell securities on the same day.
- Inability of dealers to trade on a “when-issued” basis (before issuance), allowing them to more effectively price the new issue to the market.

Regulatory

- Clarification of the roles and limits of the authority of the MOF, CBE, CMA, and CASE with respect to the issuance, market making, and delivery and settlement of government securities.

Tax

- Need to assure that primary dealers' inventories are not subject to unequal tax treatment, creating an even playing field for bank and non-bank dealers.

At the end of the quarter, the MOF and CBE met and clarified regulatory roles with respect to the issuance and trading of government debt. This decision will be made public in the context of the creation of the primary dealer system.

Each of the remaining issues will be addressed by the MOF in a series of roundtable discussions that will include, depending on the topic, the CBE, CMA, CASE, and potential primary dealers (WP2001, MOF 2.2).

CMD will continue this training in 2001, helping complete the full development of the department (WP2001, MOF 1.1). We will also facilitate the creation of a Department of Primary Dealers and Auctions (WP2001, MOF 1.2).

1.2 Assistance on International Bond Issuance

At the request of the Minister of Finance and CMA Chairman, CMD continued assisting the MOF with preparations for Egypt's upcoming debut sovereign eurobond issue. This assistance included training the MOF staff in establishing objective and transparent processes for selecting lead managers and issuer's counsel, as well as concepts, principles, and techniques for evaluating proposals. In first-quarter 2001, we expect a ministerial committee led by the Prime Minister to choose a lead manager and issuer's counsel for the bond issue.

SECTION VIII

Ministry of Economy and Foreign Trade

Under the Year-2000 Work Plan, CMD's assistance to the MOEFT is focused in two areas: reviewing and commenting on the new capital market law and improving the ministry's website.

Major Achievement: Fourth Quarter 2000

- Received a draft of the new Capital Market Law and started the translation and review process.

3. Legal and Regulatory Assistance*

3.1 Assist with Review and Modification of New Capital Market Law

CMD received a draft of the new Capital Market Law and started an English translation. After the translation is completed early in January 2001, we will conduct an internal review and comment on the law. This activity will be coordinated with the CMA (WP2001, CMD 3.1 and MOEFT 1.1).

4. Public Outreach and Education

4.1 Improve the Look and Content of the MOEFT Website

Additional improvements to the MOEFT website, in accordance with a plan presented during third-quarter 2000, were put on hold pending the ministry's completion of a larger trade promotion site.

* The activities and outcomes in this section maintain the same numbering system we have used throughout this QPR and the work plan. There are no institutional development or information technology activities currently underway for the MOE.

SECTION IX

Monitoring and Evaluation

CMD monitors its progress along three dimensions—the work plan’s major outcomes, intermediate results, and long-range outcomes. The intermediate results and long-range outcomes were determined by USAID and designed to orient CMD’s work and evaluate its progress over the life of the project.

Monitoring progress under the work plan is based on the outcomes presented in the institutional sections and the project’s expected progress towards those outcomes during 2000. *Some of the outcomes will not be accomplished in the current year and several are ongoing aspects of the capital market’s development. In these cases, we track our progress based on the expected year-end results discussed in the work plan.*

In addition, completion of many of the outcomes depends on our institutional partners’ progress. For example, CMD helped draft new regulations, but promulgation of these regulations, the successful completion of the outcome, is the prerogative of the ministries and institutions involved. The steps necessary to complete the outcomes, as well as progress during the quarter, are discussed in the institutional sections of this report and summarized in the table below (Section A).

A. Quarterly Monitoring and Evaluation System

Institution	Outcome	Major Year-2000 Activities	Percent Complete ¹	Progress to Date in 2000
CMA	1.1 Corporate Planning and Organizational Development (completion after year-end)	<ul style="list-style-type: none"> • Level 2 of process model • Automation of key activities • Assistance developing procedures manuals for major functions • Facilitate development of three-year, rolling corporate plan 	70%	<ul style="list-style-type: none"> • Completed and delivered level one of process model for all CMA Departments (Q1). • Completed level two of process model for three of five departments in the Market Operations Sector (Q2). • Conducted workshop on automation process for the CMA management (Q2). • Drafted system requirements for bond tracking system (Q3). • Completed and delivered level two of process model for the Market Operations Sector, encompassing the CMA's key market-related functions (Q3-4).
	1.2 Improved and Integrated Surveillance, Compliance, and Broker Registration and Testing Programs	<ul style="list-style-type: none"> • Surveillance program and training • Broker compliance and field inspection • Broker registration and testing 	60%	<ul style="list-style-type: none"> • Finalized and delivered technical specifications for remodeled surveillance workspace (Q1). • Drafted and delivered regulations on insider trading, price manipulation, and selective disclosure (Q2-3). • Completed comprehensive evaluation of market surveillance and enforcement in the Egyptian market (Q4). • Recommendations for improving market surveillance and enforcement accepted by CMA and CASE chairmen (Q4).

¹ The percentages are based on work toward completion of the activities and goals that CMD plans to accomplish during 2000, not the overall completion of the outcomes, some of which will take several additional years to accomplish. For a discussion of the project's goals for the year, see the institutional sections of this report and the Year-2000 Work Plan (under "timing and deliverables" for each outcome).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date in 2000
CMA (cont.)	1.3 Facilitate the Introduction of New Financial Instruments (ongoing)	<ul style="list-style-type: none"> • Workshops • Legal and regulatory assistance, as required 	100%	<ul style="list-style-type: none"> • Bond decree signed and issued by Minister of Economy and Foreign Trade (Q1). • Conducted five workshop sessions on money markets and money market instruments (Q1). • Completed and delivered discussion paper, in Arabic and English, on venture capital and turn-around funds (Q1). • Drafted standard forms for bond dealers (Q1). • Delivered outline of elements in sale buyback agreements for bond dealers (Q2). • Conducted six workshop sessions on bond trading for the CMA staff (Q2-3). • Conducted one-on-one meetings with prospective bond dealers to expand their understanding of bond dealing and the bond decree (Q3-4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date in 2000
CMA (cont.)	1.4 Increase the Functional Capacity and Abilities of the CMA Staff (ongoing)	<ul style="list-style-type: none"> • On-the-job training • Workshops 	100%	<ul style="list-style-type: none"> • Conducted course on credit risk analysis (Q1). • Conducted roundtable on credit rating and credit risk analysis (Q1). • Provided specialized technical assistance in a variety of areas, including prospectuses for bond offerings, new offshore investment funds, and hybrid securities (Q1). • Provided on-the-job training to corporate finance staff throughout quarter (Q1). • Conducted specialized workshops for the CMA staff. Topics included bond trading, discount rates, fraud in offering documents, and consolidated financial statements (Q2). • Provided on-the-job training and specialized technical assistance to the CMA staff throughout the quarter. Assistance included helping the CMA respond to inquiries from prospective bond dealers and to a request from a local brokerage company to establish an off-shore mutual fund (Q2-3). • Conducted six workshops on bond trading and two workshops on modern valuation techniques (Q2-3). • Provide technical assistance and on-the-job training related to evaluation of a prospectus for a share offering (Q4). • Developed materials for two workshops on modern valuation techniques (Q4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date in 2000
CMA (cont.)	1.5 Additional Institutional Development and Training Activities	<ul style="list-style-type: none"> Support study of demand for securities in Egypt 	100%	<ul style="list-style-type: none"> Agreed to help fund study of the demand for securities in the Egyptian market (Q1). Researchers developed outlines of report sections and lists of sources (Q1). Engaged short-term expatriate advisor to review outlines and sources (Q1). Researchers completed drafts of sections 1-3 (Q2). Report on public awareness and outreach methods for increasing the demand for Egyptian securities completed and delivered (Q3). Study group for market demand study completed and delivered the full report (Q3). Assisted with design and layout of demand study (Q3). Printed and delivered 1,000 copies of the study to the CMA for distribution (Q4).
	2.1 Build an Electronic Database for Filing and Retrieving Corporate Information (completion after year-end)	<ul style="list-style-type: none"> Outline system requirements Draft database specifications 	65%	<ul style="list-style-type: none"> Short-term expatriate advisor assessed system requirements and conducted workshops for the CMA management and staff (Q1-2). Drafted system requirements report (Q2). Delivered system requirements report in English and Arabic (Q3). Delivered draft requirements report for electronic system to track bond issuance and post-issuance procedures, the first component of the electronic filing and retrieval system (Q4).
	2.2 Improve the Functioning and Security of the CMA's Electronic Systems	<ul style="list-style-type: none"> Firewall installation and testing Automation of key activities (included as an aspect of CMA 1.1) 	100%	<ul style="list-style-type: none"> Delivered firewall hardware (Q1). Issued contract for firewall software, installation, and training (Q1). Delivered firewall software (Q2). Provided training to the CMA staff (Q2). Firewall installed and brought online (Q3-4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date in 2000
CMA (cont.)	2.3 Develop Data Archiving Capability	<ul style="list-style-type: none"> • Determine specifications • Procure software and hardware 	5%	<ul style="list-style-type: none"> • Began developing specifications with CMA management (Q1). • Task scheduled for completion in 2001 as a high-priority item.
	3.1 Improve Capital Market's Legal and Regulatory Structure (ongoing)	<ul style="list-style-type: none"> • Review new Capital Markets Law • Draft rules and regulations • Improve disclosure requirements 	60%	<ul style="list-style-type: none"> • Examined financial disclosure requirements (Q1). • Conducted workshop on financial disclosure (Q1). • Rule on Rule Making (drafted in 1999) approved by CMA Board of Directors (Q2). • Delivered rule on advertising (Q2). • Delivered regulations on insider trading, price manipulation, and selective disclosure (Q3). • Delivered rules for the registration of custodians and depositary banks (Q3). • Drafted regulations covering net capital and margin lending (Q3). • Delivered outlines of proposed regulations covering net capital and margin lending, for discussion with the CMA and market participants before the regulations are finalized (Q4). • Completed draft evaluation of financial disclosure requirements and started assembling comprehensive evaluation and recommendations on financial and non-financial disclosure in the Egyptian market (Q4). • Received draft of the new Capital Market Law (December).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date in 2000
CMA (cont.)	3.2 Establish Investor Protection Fund (completion after year-end)	<ul style="list-style-type: none"> Propose structure and funding mechanism Draft rule and regulations 	100%	<ul style="list-style-type: none"> Examined bankruptcy provisions in Egyptian law, which will have a major effect on the construction of the fund (Q1-2). Drafted report proposing basic elements of the investor protection fund (Q3). Drafted decree and executive regulations for the fund (Q3). Delivered proposal for the fund's basic elements and the draft prime ministerial decree for discussion with the CMA and market participants (Q4).
	3.3 Advise and Assist on the Creation of SROs (completion after year-end)	<ul style="list-style-type: none"> Legal and regulatory requirements Help develop CMA requirements for SROs 	0%	<ul style="list-style-type: none"> Start pending receipt of draft of new Capital Market Law (Q1-4). Received draft of new Capital Market Law (December).
	4.1 Train Financial Journalists	<ul style="list-style-type: none"> Press Forum, thematic sessions Press Forum, technical sessions Reporting techniques (broadcasters) Financial English 	75%	<ul style="list-style-type: none"> Conducted thirteenth press forum (Q1). Outlined structure of sessions on reporting techniques for broadcasters (Q1). Conducted six-week (two days each week) training program for financial journalists through the Arab Academy (Q2). Conducted six-week (two days per week) training program for journalists on financial topics in English (Q4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
CMA (cont.)	4.2 Improved Press Relations and Outreach Capacity	<ul style="list-style-type: none"> • Help reorganize Press Relations Department • On-the-job training and assistance • Develop brochures on key capital market topics 	100%	<ul style="list-style-type: none"> • Provided extensive on-the-job training to CMA public relations manager (Q1). • Produced fact sheet and arranged interviews for Chairman with major newspapers to increase understanding of cement company sales (Q1). • Helped local newspaper establish capital markets page (Q1). • Developed template for weekly CMA bulletin (Q1). • Outlined investor education brochures and CMA annual report, and gathered information (Q1). • Completed English draft of the CMA's 1999 Annual Report and edited Arabic draft prepared by the CMA (Q2). • Printed and distributed CMA Annual Report (Q3). • Completed drafts of four educational brochures, which will be sponsored by ECMA (see ECMA 4.3).
	4.3 Establish Sustainable Website	<ul style="list-style-type: none"> • Upgrade site, adding dynamic content • Training in updating and adding information • Training in site maintenance 	100%	<ul style="list-style-type: none"> • Modified some visual content in response to CMA requests (Q1). • CMA management reviewed and approved site content in Arabic and English (Q1). • Secured permission to host site on IDSC server (Q1). • Provided workshop on website development and maintenance (Q1). • Facilitated DT2 training in website development and maintenance (Q1-2). • Website finalized and launched (Q2). • CMA moved website to CMA servers, began maintaining the site without CMD assistance (Q3). • Formatted CMA Annual Report for publication on website (Q3).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
CMA (cont.)	4.4 Improve Quality of Financial Reporting on Television (completion after year-end)	<ul style="list-style-type: none"> • Support for financial segment and closing report • Pilot for educational video series 	90%	<ul style="list-style-type: none"> • Helped launch market closing report (Q1). • Provided ongoing assistance with graphical content of closing report and nightly financial news segment (Q1-4). • Pilot for educational video series being developed under ECMA sponsorship (ECMA 4.3).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
CASE	1.1 Corporate Planning and Institutional Development (completion after year-end)	<ul style="list-style-type: none"> • Training programs for CASE employees • Facilitate development of three-year, rolling corporate plan • Assistance restructuring of Evergreen Training Center 	60%	<ul style="list-style-type: none"> • Provided five training programs through the USAID-funded DT2 project for 30 CASE staff members. • Delivered memorandum with recommendations on structure of training center (Q1). • Delivered outline of proposed organizational structure (Q3).
	1.2 Improve Procedures for Managing Market Operations (completion after year-end)	<ul style="list-style-type: none"> • Improvement of OTC market • New corporate actions procedures • Development of broker registration and testing program 	80%	<ul style="list-style-type: none"> • Finalized and delivered report recommending improvements to OTC market (Q1). • Work on broker registration and testing put on hold pending division of responsibilities between the CMA, CASE, and ECMA (Q1). • Completed comprehensive examination of market surveillance and enforcement (Q4). • Recommendations for improving market surveillance and enforcement accepted by CMA and CASE chairmen (Q4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
CASE (cont.)	2.1 Support the Improvement of Data-Processing Systems	<ul style="list-style-type: none"> Arabization of EFA user documentation 	80%	<ul style="list-style-type: none"> Received user documentation from CASE and started Arabization process (Q1). Delivered 180 workstations, completing the main portion of the hardware procurement to support the exchange's new trading system software (Q1). Delivered remaining hardware and tested and approved all equipment, completing the procurement (Q2). Completed Arabizations of two of three user manuals and accompanying glossaries (Q2). Completion pending CASE approval of glossaries and first two Arabized manuals (Q2-4).
	3.1 Improve Current Rules Governing Exchange	<ul style="list-style-type: none"> Review of membership and listing rules Drafting new dispute resolution rules and procedures 	90%	<ul style="list-style-type: none"> Draft "Code of Arbitration" received from subcontractor W&S (Q1). Delivered review of membership rules drafted by CASE (Q2). Drafted and delivered new draft of membership and draft board of directors rules (Q3). Delivered draft of new listing rules (Q4).
	3.2 Advise and Assist on the Creation of SROs (completion after year-end)	<ul style="list-style-type: none"> Assistance to be determined 	0%	<ul style="list-style-type: none"> Start pending receipt of draft of new Capital Market Law (Q1-4). Draft of new Capital Market Law received from CMA (December).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
CASE (cont.)	4.1 Enhance Awareness of Investors, Students, and the General Public	<ul style="list-style-type: none"> • Pilot for an educational video series • Introduction of stock market game • Develop brochures on key capital market topics 	90%	<ul style="list-style-type: none"> • Stock market game pilot successfully implemented at selected secondary schools and universities (Q1). • Delivered draft report outlining the requirements and timeline for development of an investor information center and hotline (Q1). • Delivered comments on improving the stock market game (Q2). • Developed outline of educational video series pilot and began production (Q2). • Educational video series and brochures are sponsored by ECMA (ECMA 4.3).
	4.2 Help Organize and Conduct Major Events	<ul style="list-style-type: none"> • Opening of stock exchange renovations • International conference 	50%	<ul style="list-style-type: none"> • Delivered video new release to publicize opening of new trading floor and introduction of new trading system (Q2). • Conference to be co-scheduled by CASE Chairman and Minister of Economy and Foreign Trade (Q2). • CMD informed that conference will not happen in 2000 or early 2001; assistance, if required, is on hold (Q3-4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
MCSD	1.1 Document MCSD Services, Systems, and Controls (completion after year-end)	<ul style="list-style-type: none"> • Documentation of internal procedures • Documentation of external procedures • Documentation and drafting of rules • Establishment of user advisor group 	70%	<ul style="list-style-type: none"> • Began developing budgeting manual (Q1). • Drafted rules for central registry function (Q1). • Delivered draft budgeting manual and accompanying training plan to MCSD for review (Q3). • Evaluated MCSD's internal audit function (Q3). • Procedures writing workshops rescheduled for 2001 (Q3). • Delivered evaluation and recommendations report on internal audit function (Q4). • Drafted internal audit procedures manual (Q4). • Conducted three, four-hour training sessions on budgeting manual for MCSD managers (Q4). • Organizational Structure and Job Descriptions Report approved by MCSD Board of Directors. It includes provisions for the establishment of a participants advisory committee (Q4).
	1.2 Strengthen Training Capacity	<ul style="list-style-type: none"> • Implementation of training manual • Advanced training-of-trainers program 	90%	<ul style="list-style-type: none"> • Conducted advanced training-of-trainers workshop (Q2). • Conducted workshops on implementation of training manual and creation of training department (Q2). • Delivered draft training manual (Q2). • Completed third phase of training-of-trainers program (Q3-4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
MCSD (cont.)	2.1 Upgrade Computer and Network Management Systems	<ul style="list-style-type: none"> • Supervise installation of firewall • Procurement of server upgrade • Evaluation and upgrade of network management system 	95%	<ul style="list-style-type: none"> • Delivered server upgrade (Q1). • Delivered firewall hardware (Q1). • Signed contract for firewall software, installation, and training (Q1). • Evaluated network management systems and wrote specifications for the procurement (Q1-2). • Delivered firewall software (Q2). • Provided training in firewall installation and maintenance (Q2). • Firewall installation completed (Q3). • Evaluated and recommended improvements to network security systems (Q3). • Issued RFP for NMS procurement; received and evaluated responses (Q3). • Issued BAFO and received responses for NMS procurement (Q4). • NMS contract awarded (Q4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
MCSD (cont.)	3.1 Improve the Legal Structure Governing MCSD Operations (ongoing)	<ul style="list-style-type: none"> • Help finalize new Central Depository Law and executive regulations • Review operations from standpoint of new Central Depository Law • Review new Capital Market Law • Examine DVP in Egyptian market 	80%	<ul style="list-style-type: none"> • Assisted with finalization of draft Central Securities Depository and Registry Law (Q1). • Drafted additional executive regulations to accompany the new law, including a regulation covering the registry component (Q1). • Delivered memorandum on payment system for securities in Egypt (Q1). • Investigated and conducted workshop on legal risks associated bankruptcy provisions in current Egyptian law (Q1). • Delivered report on bankruptcy and the capital market (Q2). • Central Securities Depository and Registry Law passed by People's Assembly (Q2). • Translated new law for distribution to institutional partners and USAID (Q2). • Adapted and revised the executive regulations to the law as it was passed by the People's Assembly (Q2-3). • Revised translation of new law in accordance with comments from the CMA and market participants (Q3). • Delivered full Arabic and English draft of executive regulations to the new law (Q3). • Developed recommendations for new bankruptcy provisions to reduce legal risks associated with the clearance and settlement process (Q4). • Conducted workshop on bankruptcy provisions for market institutions and participants, including judges and lawyers (Q4). • Received draft of new Capital Market Law (December).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
MCSD (cont.)	3.2 Establish Securities Lending and Borrowing Services and Assist with the Implementation of the SGF (completion after year-end)	<ul style="list-style-type: none"> • Assist with implementation of SGF • Outline requirements for securities lending and borrowing service • Draft rule, procedures, and regulations 	80%	<ul style="list-style-type: none"> • Assisted with SGF launch and periodic recalculation of participant contributions (Q1). • Drafted and distributed discussion paper in Arabic and English on securities lending and borrowing (Q1). • Conducted workshop for MCSD and market participants on securities lending and borrowing (Q1). • Conducted additional workshop for MCSD and market participants to discuss issues surrounding securities lending and borrowing service (Q2). • Help MCSD specify business and IT requirements for the lending and borrowing service (Q2-3). • Wrote and distributed status report on development of securities lending and borrowing service, including a discussion of the issues to be resolved (Q3). • Conducted second workshop for MCSD and market participants on securities lending and borrowing service, resolving the issues identified in the status report (Q4).
	4.1 Implement the Integrated Communications Strategy, Focusing on Domestic and Regional Audiences	<ul style="list-style-type: none"> • Implement communications strategy • Develop new means of communicating MCSD messages 	5%	<ul style="list-style-type: none"> • Delivered advertisement for MCSD public awareness specialist. • Scheduled to start after MCSD hires a full-time communications specialist.
	4.1 Develop Sustainable Website	<ul style="list-style-type: none"> • Develop and launch website • Training for staff 	50%	<ul style="list-style-type: none"> • Completed DT2-funded training in website development and maintenance (Q1-2). • Researched content of other depository and clearing corporation websites (Q2). • Agreed to provide editorial assistance with English website (Q3).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
SI/ECMA	1.1 Develop Organizational and Membership Structures Needed to Become an SRO (completion after year-end)	<ul style="list-style-type: none"> Assistance modifying membership structure Assistance modifying organizational structure Ongoing legal and regulatory review and assistance 	20%	<ul style="list-style-type: none"> Delivered paper on the roles and responsibilities of self-regulatory organizations (SROs), which ECMA used as the basis for a memorandum to the CMA Chairman (Q1). CMA Chairman will consider ECMA as an SRO, to become effective following passage of the enabling legislation (Q2). Received draft of new Capital Market Law, with provision for the establishment of a securities industry association (Q4). Short-term advisor scheduled for 2001 to assist on expanded version of this task (Q4).
	1.2 Improve and Expand Training and Certification Programs	<ul style="list-style-type: none"> Assistance expanding training programs Development of training department Research on cooperative agreements 	20%	<ul style="list-style-type: none"> Trained staff in database operation and management, including database to track training programs and trainees (Q1). Supported implementation of training database (Q1-4). Short-term advisor scheduled for 2001 to assist on task (Q3).
	4.1 Develop a Forum on Financial Instruments and Assist with ECMA's Existing Forum (ongoing)	<ul style="list-style-type: none"> Development assistance on forum for corporate treasures, CFOs, and CEOs Assistance with existing forum 	50%	<ul style="list-style-type: none"> ECMA and CMD rescheduled start of forum in effort to coordinate with the International Finance Corporation (IFC) and because of the poor investment environment currently in Egypt (Q2-3). Researched and drafted report on financial instruments that would be appropriate to present during the forum (Q3-4).
	4.2 Develop Sustainable Website	<ul style="list-style-type: none"> Develop and launch website Training for staff 	30%	<ul style="list-style-type: none"> Presented recommendations on website development to ECMA (Q3). ECMA accepted CMD's recommendations (Q3). CMD assistance to start in 2001, after ECMA has specified its role in the market in the context of the new Capital Market Law.

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
SI/ECMA (cont.)	4.3 Additional Public Outreach Activities	<ul style="list-style-type: none"> • Brochures on capital market topics (previously part of CMA 4.2 and CASE 4.1) • Educational video series (previously part of CMA 4.4 and CASE 4.1) • Guide to reading financial statements 	90%	<ul style="list-style-type: none"> • ECMA agrees to sponsor "Guide to Reading Financial Statements" (Q2). • CMA, CASE, and CMD agree that investor education brochures should be sponsored by ECMA (Q2). • Finalized financial statements guide and completed editing and design (Q2). • Printed and distributed more than 10,000 copies of the guide to reading financial statements (Q3). • Completed drafts of four investor education brochures (Q3). • Initiated revision and editing of four investor education brochures; completed design for series (Q4). • Revised pilot for educational video series (Q4). • Received conditional approval for the pilot and subsequent episodes from USAID (Q4).
SI/EIMA	1.1 Develop Certification Program	<ul style="list-style-type: none"> • Information on similar programs • Training-of-trainers • Ongoing advice and assistance 	N/A	<ul style="list-style-type: none"> • On hold pending appointment of new EIMA director (EIMA has no other staff); moved to WP2001.
	1.2 Assist EIMA with Organizational Development	<ul style="list-style-type: none"> • Provide information on similar associations • Ongoing advice and assistance 	N/A	<ul style="list-style-type: none"> • On hold pending receipt of draft of new Capital Market Law (Q1-4). • Received draft of new Capital Market Law (December). • Moved to WP2001.
	1.3 Additional Institutional Development and Training Activities	<ul style="list-style-type: none"> • Develop performance measurement guidelines. 	100%	<ul style="list-style-type: none"> • Agreed to provide short-term expatriate advisor to help develop guidelines for measuring investment fund performance and standards for publicizing investment funds (Q2). • Short-term advisor developed draft Egyptian Performance Measurement Standards (Q3-4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
SI/EIMA (cont.)	4.1 Increase Effectiveness of EIMA's Public Outreach and Public Awareness Efforts	<ul style="list-style-type: none"> • Assist with media event • Assist with website development 	10%	<ul style="list-style-type: none"> • Presented website development plan; EIMA accepted plan (Q3). • Media event on hold pending appointment of new executive director (Q4). • Moved to WP2001.
CBE/MOF	1.1 Facilitate the Introduction of New Financial Instruments (ongoing)	<ul style="list-style-type: none"> • Development of executive discussion papers • Executive seminars and workshops • Legal and regulatory advice and assistance 	85%	<ul style="list-style-type: none"> • Proposed using cash management bills (reservable) as part of developing market-based auction for government bond rollover (see 1.2, Q1). • Conducted six-session workshop on money-market instruments and the policy changes needed to facilitate the introduction of new instruments into the Egyptian market (Q2). • Presented a range of new financial instruments to CBE departments, the MOF, and market participants, including negotiable certificates of deposit (CDs), bond repurchase agreements, commercial paper, and cash management bills (Q3). • Conducted four workshops on bond markets in Egypt as part of the USAID-funded TAPR Pension Reform program (Q3-4). • Continued technical assistance to local banks and CBE Bank Control Department on the development of proposals to issue negotiable CDs (Q4). • Provided extensive on-the-job training for the MOF related to the issuance of Egypt's debut sovereign bond on international markets (Q3-4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
CBE/MOF (cont.)	1.2 Improve the Efficiency of the Government Securities Markets (completion after year-end)	<ul style="list-style-type: none"> • Work toward establishment of market-based auctions • Assist with implementation of dealer-based trading in secondary market • Help demarcate legal and regulatory responsibilities • Recommend selection criteria for primary dealers 	90%	<ul style="list-style-type: none"> • Proposed two methods of implementing market-based auctions for government bond rollover (Q1). • Delivered report on requirements and responsibilities of primary dealers (Q1). • Initiated assistance to the Minister of Finance on the creation of primary dealers and the introduction of market-based auctions (Q2). • Delivered a streamlined action plan for the creation of primary dealers to the CBE Governor, Deputy Governor, sub-governors, and the Minister of Finance (Q3). • Minister of Finance announced his intention to create primary dealers and initiate market-based auctions in 2001 (Q3). • Assisted the MOF with the establishment of a debt management unit (Q3). • Provided extensive on-the-job training to MOF debt manager and staff (Q3-4). • Researched impediments to active markets for government securities and the establishment of the primary dealer system in discussions with prospective primary dealers and other market participants (Q3-4). • Outlined legal, regulatory, and tax issues that need to be resolved in order to create active markets for government securities (Q4). • Established contacts between Minister of Finance and prospective primary dealers, including them in the development of the system (Q4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
CBE/MOF (cont.)	2.1 Develop a Book-Entry Registry for Government Securities (completion after year-end)	<ul style="list-style-type: none"> • Select and train working group • Complete functional analysis report 	90%	<ul style="list-style-type: none"> • Conducted six workshops for CBE personnel on book-entry registry (Q1). • Achieved consensus among CBE managers and staff on the basic characteristic and benefits of book-entry registry (Q1). • Began working with new CBE Automation Director on development of book-entry registry (Q2). • Created joint task force to develop detailed requirements for book-entry registry. CBE staff started drafting detailed requirement for presentation to the CBE management (Q3). • Conducted presentations for CBE staff on bond trading and settlement to help outline system requirements (Q3). • Completed draft functional analysis report for book-entry registry, with the CBE working group (Q4). • Draft functional analysis report reviewed by short-term advisor (Q4). • Development of book-entry registry formally approved by the CBE Governor (Q4).

Institution	Outcome	Major Year-2000 Activities	Percent Complete	Progress to Date
MOEFT	3.1 Assist with Review and Modification of New Capital Market Law (completion after year-end)	<ul style="list-style-type: none"> Review and comment as requested Draft executive regulations, as requested 	0%	<ul style="list-style-type: none"> Pending receipt of draft of new Capital Market Law (Q1-4). Draft of new Capital Market Law received (December).
	4.1 Improve the Look and Content of the MOEFT Website	<ul style="list-style-type: none"> Improve visual look of site Add additional content and features 	100%	<ul style="list-style-type: none"> Redesigned visual look of the site (Q1). Designed and installed searchable databases for documents and statistics produced by the ministry (Q1). Conducted workshop on website development and maintenance (Q1). Finalized content and technical aspects of redesigned website (Q2). Launch postponed by MOEFT while it was working on new trade promotion site (Q2-3). Conducted follow-up assessment of site and outlined additional enhancement to make it sustainable (Q3). Additional enhancements pending MOEFT completion of work on trade promotion site (Q4).

B. Intermediate Results*

During 1999, CMD exceeded all three of its USAID-defined intermediate results. The project continues to monitor these results in 2000, identifying those areas where CMD has had an impact. As discussed in CMD's previous QPRs and work plan, the intermediate results are indicators that reflect the size and activity of the market. While there is no *measurable* causal relationship between these indicators and the policy, regulatory, and institutional progress made by the Egyptian government and/or the project, progress in these areas has a positive, albeit *difficult-to-measure*, impact on market size and activity. CMD's activities continue to show results in these areas, and market activity continues to expand.

As noted in our Year-2000 Work Plan, CMD's activities are designed to improve the infrastructure that underpins the Egyptian capital market and to inform investors and potential investors of these improvements. The result of these developments, as noted above, will be increased investor confidence and investment. For example, the establishment of the primary dealer system, which is expected in 2001, will likely increase activity in the markets for T-bonds and T-bills. In addition, CMD's legal work—which includes, among other things, assistance on the development of the newly issued Central Securities Depository and Registry Law and draft regulations defining illegal and unethical trading practices—is expected to increase the confidence of foreign and domestic investors in the legal and regulatory framework underpinning the capital market. This increased confidence will likely translate into increased trading activity over time.

Nonetheless, one should keep in mind that political, economic, and social events, both locally and internationally, have a significant impact on fluctuations in market size and activity, particularly in emerging markets, and many of these events are beyond the control of individual governments.

Value of Shares/Bond Traded

In the project's contract, the value of shares and bonds traded was projected to be LE15 billion in 1998, with LE25 billion established as the intermediate result for the value of trading in listed and over-the-counter (OTC) stocks and bonds to be achieved by 2001. During 1999, trading value was LE39 billion, up from LE23 billion in 1998. In 2000, the Egyptian capital market saw total trading valued at LE49.5 billion, almost double the intermediate result.

Volume of Trading

CMD's contract projects the volume of trading in 1998 at 400 million shares and establishes a trading volume of 600 million shares as the intermediate result to be achieved in 2001. In 1999, market volume was 1.1 billion, and, in 2000, volume rose to 1.3 billion shares, more than double the intermediate result.

* The figures presented in this section were provided by the CMA, "Monthly Statistical Report," December 2000.

Market Capitalization

CMD's contract baselines market capitalization at LE70 billion in 1998 and establishes LE100 billion as the intermediate result to be achieved in 2001. At the end of 1999, market capitalization stood at LE112 billion, up from LE83 billion at the end of 1998. At the end of 2000, market capitalization was LE119.8 billion.

C. Long-Range Outcomes

This section outlines the ways in which CMD's ongoing work contributes to the realization of its long-range outcomes. For a complete discussion of particular activities, refer to the institutional sections of this report and to the project's work plan.

- C1. A well-developed and fully integrated stock exchange with back-up system, online surveillance capacity, and an increased trading capacity of over 20 times present capacity.*

During 1999, CMD procured new hardware to run the exchange's new trading software. Delivery of the hardware was completed in the first half of 2000. CASE is currently installing the trading software that it procured independently. The new trading system will be able to handle over 50,000 transactions per day, approximately 18 times the exchange's daily average in 1998. The new hardware also provides for a "hot" backup system, designed to step in seamlessly in the event of a system failure; a "warm," disaster-recovery system, which can also be used for training purposes; and new communications servers to handle increased network traffic. CASE expects to launch the new trading system in the first quarter of 2001 (Section III, 1.2 and 2.1).

CASE independently procured data warehousing software, with which it has developed and launched the first phase of a stock-watch program for online market surveillance. CASE will have an effective and adequate online surveillance capacity after the second and third phases of the CASE program are completed in 2001. CMD will provide additional training to the CASE surveillance analysts and manager during 2001, and help the CMA develop effective surveillance capabilities (Sections II, 1.2 and III, 1.2).

- C2. Improved national clearing, settlement, and depository systems in place with increased capacity, performance, back-up security, and reliable communications.*

CMD delivered equipment to upgrade the MCSD's main server and software and hardware for a firewall security system to protect its networks. The firewall system was installed during the third quarter and became fully functional in the fourth. A CMD short-term advisor also evaluated and recommended modifications to MCSD's electronic security systems. We have selected a provider for network management software to help MCSD more effectively manage its systems (see Section IV, 2.1).

- C3. A cadre of trained regulators and securities market analysts, technicians, and executives.*

Training is incorporated into all of CMD's major activities. During 2000, the project offered an extensive program of on-the-job training, workshops, and forums to its institutional partners and market participants. It also continued to work with the USAID-funded DT2 project to provide formal training, both in Egypt and internationally. For the exact nature of

these training programs, see the institutional sections of the work plan and Appendixes A and B.

Since the project's inception, CMD's long- and short-term advisors have conducted 11,266 person-hours of training, and 17,278 person-hours of training was provided through the USAID-funded DT2 project. A total of 115 staff members from our institutional partners have attended English-language training at AUC-CACE.

C4. A cadre of certified brokers.

Most of our work on broker registration is dependent on passage of the new Capital Market Law and assignment of regulatory responsibilities among our institutional partners (in particular, the CMA, CASE, and ECMA). In the interim, we are working with ECMA and EIMA to strengthen their training departments and programs. An expatriate short-term advisor will assist on this task during 2001. This assistance will include the development of a certification program for investment fund managers (Section V, A1.2 and B1.2).

C5. Stronger and well-developed self-regulatory organizations (SROs).

In 1999, CMD worked with its institutional partners to introduce the concept of SROs into the Egyptian market and to determine the legal and regulatory conditions for their creation. By the end of 1999, CMD's efforts resulted in agreement on the part of the CMA management to help MCSD, CASE, and ECMA move towards SRO status (see previous QPRs).

CMD's year-2000 assistance program in this area has two dimensions. On the one hand, the project is working to identify the legal prerequisites for the establishment of SROs in Egypt. In this regard, CMD received the draft of the new Capital Market Law in December 2001 and will examine and evaluate its provisions for the development of self-regulation in the capital market. On the other hand, CMD is working with its partner institutions to develop their institutional and organizational capacity to assume the role of SROs. This aspect of our work is ongoing and includes the joint development with CASE of new board of directors, membership, and listing rules and recommendations on changes to organizational and membership structures with MCSD, ECMA, and EIMA (see Section II, 3.1; IV, 1.1; and V, A1.1 and B1.1).

C6. Improved securities industry legal and regulatory environment.

The market's legal and regulatory environment has two aspects: the laws and regulations that underpin market operations, and each institutions' rules and procedures. CMD continues to work on both levels. During 2000, CMD delivered a full set of executive regulations, in Arabic and English, to the new Central Securities Depository and Registry Law and draft rules and regulations covering insider trading, price manipulation, selective disclosure, and the registration of custodians and depository banks. CMD also delivered outlines of new regulations covering net capital requirements for brokers and margin lending, and a draft prime ministerial decree for the creation of an investor protection fund (see Section II, 3.1 and 3.2, and Section IV, 3.1).

C7. A CMA system that provides for electronic data gathering, filing, and retrieval of enterprises' financial reports.

During 1999, CMD generated consensus at the CMA about the desirability of establishing a system for filing and retrieving enterprises' financial reports. In 2000, we delivered a comprehensive requirements reports for such a system and started development of its initial component—an electronic system to track the CMA's procedures for bond issuance approval and post-issuance monitoring (see Section II, 2.1). We will complete development of the "bond-tracking" system in 2001 and start development of a second component of the electronic filing and retrieval system.

C8 A CMA–CASE market information system that supplies investors, traders, advisors, and others with necessary market information to formulate trading decisions.

CASE has developed its own system for distributing market information to investors, traders, advisors, and others, including regulators. Initial investigations show that this system is functioning effectively. The CMA, as part of its transition to the role of a pure market regulator, is not developing a market information system.

C9. A coordinated public education and awareness program.

CMD continues to help market institutions develop integrated communications strategies. We helped launch a daily stock market closing report during the first quarter of 2000 and continue to assist with the nightly financial news segment (see Section II, 4.4). CMD also completed drafts of four investor education brochures on topics related to the capital market. These brochures will be sponsored by ECMA. The content of the brochures will be coordinated with the pilot for an educational video series, also being developed by the project (see Sections II, 4.2; III, 4.1; and V, A4.3). Both the video series pilot and the brochures will be completed and distributed in 2001.

For financial and capital market journalists, CMD provided a six-week (two sessions per week) course on a wide range of financial topics (conducted by the Arabic Academy for Science and Technology) during the first half of the year, and a second six-week course on financial market topics taught in English (also by the Arab Academy) in the second half of the year. Additional journalists training will be provided in 2001.

APPENDIX A

Non-DT2 Training Activities

The following tables summarize CMD's non-DT2 training activities during all four quarters of the year 2000. The project's DT2-sponsored activities are discussed in the institutional sections of this report and summarized in Appendix B.

Summary of Non-DT2 Training: 2000			
	Programs	Attendees*	Person-Hours
Fourth Quarter 2000	6	113	1,358
Third Quarter 2000	7	87	570
Second Quarter 2000	11	154	2,134
First Quarter 2000	8	131	1,176
2000 Total	32	485	5,238
1999 Total	31	483	6,028
Life-of-Project	63	968	11,266

* "Attendees" only includes participants from our partner institutions and market participants. It does not include CMD staff members who attended the training sessions nor does it include USAID representatives.

Non-DT2 Training Programs: First Quarter 2000

	Title & Description	Duration	Attendees	Person-Hours
First Quarter 2000	<i>Credit-Risk Analysis Course and Roundtable</i> , conducted by subcontractor Standard & Poor's. Participants were from the CMA, CASE, and the securities industry. Following the course, CMD hosted a roundtable on issues and problems facing the credit rating industry in Egypt. Representative of rating agencies working in Egypt, Standard & Poor's, the securities industry, and the CMA attended (see Section II, 1.4).	5 sessions, 3 hours per session	20	300
	<i>Securities Lending and Borrowing Kick-off Workshop</i> , conducted with short-term advisor Charles Rubin. Participants included MCSD and market representatives (see Section IV, 3.2).	1 session, 4 hours	20	80
	<i>Introduction to World Wide Web (WWW) Technologies Seminar</i> , conducted by CMD long-term advisor. Provided instruction in basic web technologies (website development and maintenance) for MOE and CMA staff members (see Section II, 4.3).	1 session, 3 hours	10	30
	<i>Book-Entry Registry Workshop (1)</i> , conducted by CMD long-term advisors. Workshop for CBE managers and line people on the implementation of the book-entry registry (see Section VI, 2.1).	1 session, 4 hours	30	120

	Title & Description	Duration	Attendees	Person-Hours
First Quarter 2000 (cont.)	<i>Book-Entry Registry Workshop (2)</i> , conducted by CMD long-term advisors. Additional workshops for groups involved in development of the book-entry registry. Sessions designed to develop consensus on characteristics and desirability of registry (see Section VI, 2.1).	5 sessions, 3 hours per session	10	150
	<i>Money Market Workshop</i> , conducted by CMD long-term advisor. The workshop's five sessions were designed to teach the basic principles of money markets and money market instruments in order to prepare the CMA for the introduction of dealer-based trading and the new regulatory responsibilities it will bring. Participants were drawn from the following CMA departments: Corporate Finance & Mutual Funds, Surveillance, Accounting & Financial Analysis, Economic Research, and the Technical Office (see Section II, 1.4).	5 sessions, 4 hours per session	14	280
	<i>Financial Disclosure Workshop</i> , conducted by short-term advisor Dr. Tony Sondhi. A one-day session for participants from the CMA Accounting Sector that covered consolidated financial statements, mergers and acquisitions, translation of financial statements in foreign currencies, cash flow statements, auditing reports, and sanctions for non-compliance with disclosure requirements (see Section II, 3.1).	1 session, 8 hours (full day)	10	80

	Title & Description	Duration	Attendees	Person-Hours
First Quarter 2000 (cont.)	<i>Bankruptcy Law and the Capital Market</i> , conducted by short-term advisor Marc Albert. Participants were drawn from MCSD, the MOE, private law firms, and private banks. The workshop enabled participants to compare current provisions in Egyptian law with international standards—specifically with American legislation—in order to identify areas where improvement is needed. The workshop is a first step in outlining provisions necessary to reduce legal risk in the Egyptian clearing and settlement system (see Section IV, 3.1).	1 session, 8 hours (full day)	17	136
Total—First Quarter 2000			131	1,176

Non-DT2 Training Programs: Second Quarter 2000

	Title & Description	Duration	Attendees	Person-Hours
Second Quarter 2000	<i>Electronic Filing and Retrieval System (1):</i> Short-term advisor Sylvia Reis conducted a workshop for the CMA Chairman and his senior staff on building a system for filing and retrieving corporate information.	1 session, 3 hours	10	30
	<i>Electronic Filing and Retrieval System (2):</i> Short-term advisor Sylvia Reis conducted a workshop on electronic filing and retrieval for the CMA Deputy Chairman, department heads, and members of the senior management. During the workshop, Ms. Reis presented the basic characteristics and capabilities of corporate information systems, and began discussing the requirements for such a system in Egypt.	1 session, 3 hours	12	36
	<i>Consolidated Financial Statements:</i> CMD's long-term advisors conducted two sessions of the Consolidated Financial Statements Workshop, a series on how to consolidate and read financial statements received from issuers. Participants were drawn from the following departments: Corporate Finance and Mutual Funds, Accounting and Financial Analysis, Establishment of Joint-Venture Companies, and International Capital Markets.	2 sessions, 2 hours/session	19	76

	Title & Description	Duration	Attendees	Person-Hours
Second Quarter 2000 (cont.)	<i>Securities Lending & Borrowing:</i> Short-term advisor Charles Rubin conducted a second workshop for MCSD and market participants on the specifications of a securities lending and borrowing services. The workshop was based on Mr. Rubin's first quarter discussion paper. Participants raised a number of policy concerns, including fees for the service, who will be the actual lenders (MCSD or its participants), and the formula for allocating requests to borrow securities among participants.	1 session, 3 hours	20	60
	<i>Securities Lending & Borrowing:</i> Short-term advisor Charles Rubin conducted a workshop to familiarize MCSD's IT staff with the technical requirements of the securities lending and borrowing service.	1 session, 3 hours	10	30
	<i>Money Market Workshop Series:</i> CMD's long-term money and bond markets advisor conducted a six-session workshop on money markets for the CBE management and staff. CMD was assisted by U.S. Treasury Advisor Keith Krchak in most of the sessions. The workshop covered a wide range of new financial instruments and the policy changes that would be necessary to facilitate their introduction in Egypt.	5 sessions, 2 hours/session	15	150

	Title & Description	Duration	Attendees	Person-Hours
Second Quarter 2000 (cont.)	<i>Journalist Training:</i> CMD and the CMA held a course on financial and capital markets for financial journalists, conducted by the Arab Academy for Science and Technology. The course was held every Sunday and Wednesday for six weeks.	12 session, 3 hours/session	30	1,080
	<i>Advanced Training of Trainers:</i> Short-term advisor Jane Pettit conducted advanced training-of-trainers workshops for MCSD staff members.	10 sessions, 8 hours (full day)	6	480
	<i>Bond Trading Workshops:</i> CMD conducted additional workshop sessions on bond trading for the CMA staff. The workshop is designed to increase the CMA's understanding bond trading, including portfolio management, restructuring portfolios, and profitability considerations of bond dealers and market makers.	2 sessions, 3 hours	17	102
	<i>MCSD Training Manual:</i> CMD short-term advisor Ms. Pam Reardon delivered a series of workshops for MCSD managers and staff on the implementation of the training manual. The workshops and manuals provided the basic principles necessary for MCSD to establish a fully functioning training department.	3 sessions, 2 hours	15	90
Total—Second Quarter 2000			154	2,134
Total—First and Second Quarters 2000			285	3,310

Non-DT2 Training Programs: Third Quarter 2000

	Title & Description	Duration	Attendees	Person-Hours
Third Quarter 2000	<i>Trading Corporate Bonds:</i> CMD's Money and Bond Markets Advisor John Noonan conducted six sessions of a bond market workshop for the CMA staff, focusing on secondary trading in bonds and benefits of dealer market-making. Participants attended from the following departments: corporate finance, research and development, international relations, and accounting and financial.	6 sessions, 3 hours/session	10	180
	<i>MCSD budgeting manual:</i> The training program was delivered by CMD subcontractor Zarrouk & Khaled advisors (Mr. Mohamed Abdel Salam and Mr. Sayed Karam) and given to executives, board members, mid-level managers, and finance department staff.	1 session, 3 hours	20	60
	<i>MCSD Training Manual:</i> CMD short-term advisor Ms. Pam Reardon completed a series of workshops for MCSD managers and staff on the implementation of the training manual. The workshops and manuals provided the basic principles necessary for MCSD to establish a fully functioning training department.	4 sessions, 2 hours/session	15	120
	<i>Cross Border Clearing & Settlement:</i> CMD short-term advisor Mr. Charles Rubin conducted presentations for MCSD staff on the relationship between an ex-dividend date, record date, and settlement date, and on a system to clear and settle cross border trades in the Middle East.	2 sessions, 3 hours/session	10	60

	Title & Description	Duration	Attendees	Person-Hours
Third Quarter 2000 (cont.)	<i>Primary Dealer System:</i> CMD long-term advisor Mr. John Noonan and U.S. Treasury Advisor Keith Krchak delivered a presentation on “The Primary Dealer System” to the sub-governors of the CBE. The presentation covered the development of a primary dealer system, and the roles of the MOF, CBE, primary dealers, and the investment community.	1 session, 3 hours	10	30
	<i>Debt Management Workshops:</i> CMD long-term advisor Mr. John Noonan and US Treasury Advisor Keith Krchak are conducting ongoing workshops to assist the two new debt management advisors to the Minister of Finance. The workshops address debt management and the primary dealers system.	10 sessions, 2 hours/session	2	40
	<i>Bond and Money Markets:</i> CMD long-term advisor John Noonan delivered presentations to portfolio managers and regulators on “Bond and Money Markets,” at two workshops sponsored by the USAID-funded TAPR Pension project.	2 sessions, 2 hours	20	80
Total—Third Quarter 2000			87	570
First through Third Quarters 2000			372	3,880

Non-DT2 Training Programs: Fourth Quarter 2000

	Title & Description	Duration	Attendees	Person-Hours
Fourth Quarter 2000	<i>Securities Lending & Borrowing:</i> MCSD and CMD short-term advisor Mr. Charles Rubin held a workshop on securities lending and borrowing to provide industry representatives with a status update and the features of the proposed service, which is mandated under the new Central Securities Depository and Registry Law. The workshop's conclusions were summarized in a short report and distributed among the participants (MCSD 3.2).	1 session, 3 hours	20	60
	<i>Bond Markets:</i> CMD Long-term money and bond markets advisor Mr. John Noonan delivered the remaining two presentations to portfolio managers and regulators at a workshop on "Investment Opportunities in Egyptian Money and Bond Markets." The series of four workshops were sponsored by the USAID-funded TAPR Pension Reform project.	2 sessions, 2 hours/each	20	80
	<i>Debt Management:</i> CMD and U.S. Treasury advisors continued daily workshops for the Ministry of Finance debt management team on the goals and methods of managing the Government of Egypt's debt portfolio. This assistance will continue as on-the-job training.	24 sessions (twice weekly), 2hours/each	2	96

	Title & Description	Duration	Attendees	Person-Hours
Fourth Quarter 2000 (cont'd)	<i>Book Entry Registry:</i> CMD long-term database administrator Mr. Yasser El Alaily conducted a series of six workshops for CBE staff on the “Fundamentals of Database Systems.” These sessions supported the implementation of the book-entry registry.	6 sessions, 2 hours/each	10	120
	<i>Training of Trainers:</i> CMD short-term advisor Ms. Jane Pettit conducted “Training of Trainers” workshops at MCSD, after coordinating and planning priorities and objectives with MCSD Deputy Chairman Mr. Mohamed Abdel Salam. The two-week training taught MCSD staff members how to identify the audiences for whom materials are developed, target presentations to those audiences, and distinguish services and benefits. The participants developed practice presentations designed for bookkeepers, the media, and issuers of securities.	10 sessions, 3 hours/each	15	450
	<i>MCSD Budgeting Manual:</i> CMD and subcontractor Zarrouk, Khaled, & Co. delivered a series of training sessions on the budgeting manual to MCSD mid-level managers.	3 sessions, 4 hours/each	46	552
Total—Fourth Quarter 2000			113	1,358
Year-2000 Total			485	5,238

APPENDIX B

DT2 and AUC-CACE Training Activities

The following table summarizes CMD's DT2 and AUC-CACE training activities during the year 2000.

Completed Courses (Quarters 1-4, 2000)

Program	Date	Number of Participants					Total participants	Hours per day	Number of days	Total hours	Person-hours of training
		CASE	CBE	CMA	ECMA	MCSD					
Financial and Public relations in Stock Exchange	Jan-00	2					2	8	10	80	160
Computer Training	Jan-00		7				7	4	24	96	672
Basic Corporate Finance	Feb-00					25	25	5	15	75	1,875
Developer 2000	Feb-00	6		6		7	19	3	21	63	1,197
Overview of Management Functions & Skills	Feb-00			10		15	25	7	15	98	2,438
The Role of Banks in Emerging Capital Markets	Feb-00		10				10	5	10	50	500
Computer Training	Feb-00		10				10	3	20	60	600
Capital Markets: Functions, Tools & Parties Involved	Feb-00		10				10	5	10	50	500
Mutual Funds	Mar-00		5	5		5	15	4	24	96	1,440
Mastering Web Application Development	Apr-00	2		6		2	10	4	10	40	400
Advanced Capital Markets Training (NYIF)	Jun-00		3				3	8	10	80	240
Basic Corporate Finance	Jun-00	12		12			24	5	10	50	1,200
Advanced Management Functions & Skills	Jun-00					18	18	4	10	40	720
CMA NYIF Program "Technical Analysis" (USA)	Jun-00			2			2	8	10	80	160
CMA NYIF Program "Project Finance" (USA)	Jun-00			2			2	8	10	80	160
Advanced Corporate Finance & Valuation Methods	Jul-00	8		8		8	24	5	10	50	1,200
International Accounting Standards	Jul-00			10		8	18	4	10	40	720
Financial English Journalist Training (phase II)	Oct-00			30			30	4	15	60	1,800
Mergers & Acquisitions	Oct-00			10			10	4	15	60	600
International Accounting Standards(2nd iteration)	Nov-00			10			10	4	15	60	600
SEC Program:Securities Enforcement & Market Overs	Nov-00			3			3	8	4	32	96
Total DT2		30	45	114	0	88	277	110	278	1,340	17,278
English Language Training - AUC-CACE	Winter 99-00	11	6		2		19	3	45	135	2,565
English Language Training - AUC-CACE	Spring-00		10	8		10	28	3	45	135	3,780
English Language Training - AUC-CACE	Fall-00	8	8	10		10	36	3	45	135	4,860
English Language Training - AUC-CACE	Winter-00-01	5	7	10		10	32	3	45	135	4,320
Total AUC-CACE		24	31	28	2	30	115	12	180	540	15,525
Total AUC & DT2: Quarter 1-4, 2000		54	76	142	2	196	342	122	458	1,880	32,803

APPENDIX C

Project Produced Reports

To date, the project has produced a number of reports, in both Arabic and English. Several of these reports were prepared during the work planning process as a way of introducing concepts and proposing action plans. Other reports were prepared as preliminary discussion documents and serve as a first step toward the completion of future deliverables.

Project Produced Reports: Through Fourth Quarter 2000

Title	Date	Language
CMA Process Model: Level 2	December 2000	Arabic
Margin Trading Rules and Net Capital Rules: Executive Summaries for Discussion	October 2000	English/Arabic
Decree for the Creation of an Investor Protection Fund	October 2000	English/Arabic
Elements of an Investor Protection Fund in Egypt	October 2000	English
CMD Quarterly Progress Report: Third Quarter 2000	October 2000	English
Methods of Increasing Public Awareness of Investing	September 2000	English/Arabic
MCSD Securities Lending and Borrowing Service: Status Report	September 2000	English
Electronic Data Gathering and Retrieval: System Requirements Report	July 2000	English/Arabic
CMD Quarterly Status Report: Second Quarter 2000	July 2000	English
Bankruptcy Law and the Capital Market: An Assessment	June 2000	English
CMD Quarterly Status Report: First Quarter 2000	April 2000	English
Securities Lending and Borrowing—Discussion Paper	February 2000	English/Arabic
Private Equity Investing: Venture/Development Capital Funds and Turnaround Funds	February 2000	English/Arabic
Level One of the CMA Process Model	February 2000	Arabic
Recommendations on the Development of Egypt's OTC Market	February 2000	English
CMD Quarterly Progress Report: Fourth Quarter 1999	January 2000	English
CMD Year-2000 Work Plan	December 1999	English/Arabic
Preparing and Producing MCSD's 1999 Annual Report	December 1999	English
Proposal for a Stock Market Game	December 1999	English
Draft Regulations for Central Depository and Registry Law	December 1999	English/Arabic
Proposal for a Fair and Reasonable Fee Structure	November 1999	English/Arabic
Investment Securities—Legal Workshop Materials	November 1999	English
Improving Reporting on Investment Funds in Egypt	November 1999	English
International Securities Numbering System (ISIN)	November 1999	English

Title (cont.)	Date	Language
A Proposal for Improving Broker Compliance Procedures	November 1999	English/Arabic
Unit Investment Trusts—Background Paper	October 1999	English/Arabic
A Proposal for Registering Securities Sales Representatives.	October 1999	English
Independent Credit Ratings: Needs and Demands of the Egyptian Market	October 1999	English
CMD Quarterly Progress Report: Third Quarter 1999	October 1999	English
A Communications Strategy for MCSD	September 1999	English
Training-of-Trainers Workshop for ECMA	August 1999	English
Training in Capital Markets: Current Practices, Recommended Products, and Possible Directions for CASE.	August 1999	English
Recommendations on Information Display Devices	August 1999	English
CMD Quarterly Progress Report: Second Quarter 1999	July 1999	English
MCSD 1998 Annual Report	July 1999	English/Arabic
MCSD Organizational Structure, Functional Statements, and Job Descriptions	June 1999	English/Arabic
A Proposal for Developing a Market Surveillance Program	June 1999	English/Arabic
Government Securities Book-Entry System: System Requirements Report	June 1999	English/Arabic
CMA Annual Report	May 1999	English/Arabic
A Comparison Between Egyptian and International Accounting Standards	April 1999	English/Arabic
CMD Quarterly Progress Report: First Quarter 1999	April 1999	English
Survey of Regulations Pertaining to Credit Rating and Rating Agencies	April 1999	English
A Primer on New Financial Instruments	April 1999	English/Arabic
An Update of the CMD Project's Market Surveillance Activities	April 1999	English
Code of Conduct Recommendations for ECMA	February 1999	English/Arabic
CMD Quarterly Progress Report, Fourth Quarter 1998	January 1999	English
Establishing a Settlement Guarantee Fund in Egypt	December 1998	English/Arabic
Developing a Book-Entry System in Egypt	December 1998	English/Arabic
Self Regulation, Market Surveillance, and Codes of Conduct	December 1998	English/Arabic
Projects to Facilitate the Introduction of Local Credit Ratings	December 1998	English
Title (cont.)	Date	Language

Proposed Television and Internet Activities	December 1998	English
CMD Project First Annual Work Plan	December 1998	English/Arabic
An Integrated Communications Strategy	November 1998	English
Training Recommendations on the First Year Work Plan	November 1998	English
Media Recommendations on the First Year Work Plan	November 1998	English

APPENDIX D

Summary of Reports: Fourth Quarter 2000

Elements of an Investor Protection Fund in Egypt

October 2000, English with Arabic Executive Summary, CMD Subcontractor Winston & Strawn
Institutional Partner: CMA

In this report, CMD recommends the essential elements of an Egyptian fund to insure securities investors against loss of cash and securities caused by the insolvency or bankruptcy of a securities intermediation company. For the purpose of comparison, the report includes appendices summarizing the main features of SIPC, the U.K. Investors Compensation Scheme (ICS), and the Canadian Investor Protection Fund (CIPF).

Organization and Administration of the Fund. The report recommends that the fund, to be established by a decree of the Prime Minister, should be a separate entity regulated by the Capital Market Authority (CMA). The Prime Minister should appoint the IPF's chairman and board of directors, members of which should represent the CMA, the Ministry of Economy and Foreign Trade (MOEFT), the Central Bank of Egypt (CBE), the Cairo and Alexandria Stock Exchanges (CASE), the Egyptian Capital Market Association (ECMA), and members of the public.

The staff of the fund should comprise a chief executive officer, chief financial officer, and chief legal officer. These officers may work on a part- or full-time basis, depending on the volume of the IPF's operations. The size of the staff will depend on the regulatory and enforcement powers the fund is given (see next two sections). At a minimum, the staff will collect, invest, account for, and disburse the IPF's moneys. It will also monitor and oversee the activities of outside attorneys and accountants who are appointed to represent the IPF in bankruptcy court liquidations.

Regulation. The IPF should have regulatory and enforcement powers with respect to the collection, investment, and disbursement of its moneys. In addition, the CMA—in coordination with one or more of Misr for Clearing, Settlement, and Depository (MCSD), CASE, and ECMA—should establish a comprehensive record-keeping, financial responsibility, and customer protection regulatory scheme. Establishing such a scheme will impose costs on securities intermediation companies but will likely reduce the cost of the IPF. This scheme should cover the following areas:

- Maintenance of books and records
- Maintenance of errors and omissions insurance
- Maintenance of fidelity bonds to cover losses from fraud
- Segregation of customer moneys and securities from those of securities intermediaries
- Requirements for periodic reporting to the regulator and to customers
- Requirements for paid-in and net capital

In addition to rules in these areas—and as part of an effective system so that the IPF can readily pay customers of insolvent securities intermediation companies—securities intermediaries should be required to render periodic (e.g., monthly, quarterly, and annual) statements to their customers. These reports would set forth the funds and securities of the

customer under the possession or control of the securities intermediation companies. If one of the intermediaries goes bankrupt, the customers should be able to furnish the IPF with copies of their last account statement as the initial basis for their claims.

Enforcement. Depending on policy decisions made by the CMA, the IPF will need regulatory and enforcement authority. It should have the authority to suspend the conduct of business by a participant that fails to pay its assessments. If the IPF is given authority to adopt some or all of the rules set forth above (under “Regulation”), it will also need the authority to inspect securities intermediation companies to ensure compliance with these rules and take enforcement action against non-complying companies. If, on the other hand, rule-making and enforcement authority in these areas is vested in the CMA or another market institution (functioning as a self-regulatory organization), the IPF should be given the right to assure the financial and operational responsibility of securities intermediation companies. For example, it should have the right to participate in examinations of securities intermediaries, be given copies of inspection reports and reports filed with market institutions and the CMA, and be granted the authority to take enforcement action against intermediaries that violate rules covering financial and operational responsibility. Market institutions should also coordinate their rule writing, inspection, and enforcement activities with and through the IPF.

Oversight. The IPF’s ability to write rules and determine assessments on securities intermediation companies should be subject to CMA approval. The CMA should also have the right to require the IPF to amend or delete rules it determines are inappropriate or no longer serve the purposes intended, and to adopt or amend rules as needed to respond to new developments. To perform this role, the CMA should have the right to inspect the IPF and take appropriate action if the IPF fails to discharge its responsibilities or is not doing it in the desired manner.

Protection Afforded by the Fund. The fund will protect investors against losses of cash and securities arising from the insolvency or bankruptcy of a securities intermediation company. The IPF should not, unlike the fund in the U.K., cover broker frauds (unless those frauds are the cause of the insolvency or bankruptcy).

The CMA should determine the average value of securities and funds belonging to investors held by or under the control of securities intermediation companies. This proposal recommends that the maximum amount of coverage should be set in Egyptian pounds so as to cover 90 percent of customers’ accounts in full. The compensation to investors should not make any distinction between cash and securities.

Payments. The fund will pay the customers of an insolvent or bankrupt securities intermediary company immediately after acceptance of the claims by the IPF’s board of directors and assignment of the customer’s claim to the IPF. After payment to the customers, the IPF, as assignee of the customer’s claims against the insolvent or bankrupt participant, will pursue those claims in bankruptcy court proceedings to recover the compensation paid and other allowable costs.

Funding. Primary funding for the IPF should come from periodic assessments on securities intermediation companies—at a percentage based on their securities industry income—until the IPF reaches a level where interest on its investments is sufficient to support its annual operating budget and claims.

The IPF should have access to two other sources of funding to enable it to deal successfully with situations where liquidity requirements exceed or otherwise create a negative cash flow, particularly before it reaches the appropriate funding level. First, the IPF should be authorized to establish lines of credit with Egyptian banks up to a specified level. In the event that such lines of credit are utilized, the IPF must be able to levy a second assessment on securities intermediaries to repay the draws on the line of credit over a two- to three-year period. Second, the IPF should also be able to borrow from the Egyptian treasury, which may require enabling legislation. To borrow from the treasury, the fund should be required to obtain CMA approval, showing reasonable grounds for such borrowing and a plan for its repayment.

The report was prepared with the assistance of Morris Simkin from CMD's U.S.-based legal subcontractor Winston & Strawn. Mr. Simkin, an experienced and former U.S. Securities and Exchange Commission (SEC) lawyer, was involved in the creation of the U.S. Securities Investor Protection Corporation (SIPC).

Decree for the Creation of an Investor Protection Fund in Egypt
October 2000, English, CMD Subcontractor Winston & Strawn
Institutional Partner: CMA

This draft prime ministerial decree is for the establishment of an IPF in Egypt. As discussed above, the fund will insure securities investors against loss of cash and securities caused by the insolvency or bankruptcy of a securities intermediation firm.

CMD's report, "The Elements of an Investor Protection Fund in Egypt," recommends the major aspects and features of the IPF. These elements have been incorporated into the decree. CMD and the CMA management will discuss and finalize the decree in 2001. After the decree and basic elements of the fund are approved, the CMA and CMD will finalize and deliver corresponding executive regulations.

The decree was drafted with the assistance of Morris Simkin from CMD's U.S.-based legal subcontractor Winston & Strawn.

Margin Trading Rules and Net Capital Rules: Executive Summaries for Discussion
October 2000, English and Arabic, CMD Subcontractor Winston & Strawn
Institutional Partner: CMA

These two short reports summarize the basic elements of CMD's draft rules covering margin trading and net capital requirements for brokers. Both reports will be discussed with the CMA management in 2001 with a view toward finalizing the rules.

Margin Trading. Customers purchasing securities can pay for them in full or they can borrow a portion of the purchase prices from a broker/dealer. The amount borrowed from the brokerage firm represents the customer's debit balance. The minimum amount the customer is required to deposit is known as margin. The current Capital Market Law (Law 95/1992) does not contain any provisions regulating margin trading. Nevertheless, margin trading currently exists in the Egyptian market. The rules proposed by CMD are designed to provide comprehensive regulations for this activity.

Net capital requirements. The current Capital Market Law (Law 95/2000) does not contain any provisions establishing net capital requirements. Such provisions are designed to ensure that

brokers maintain adequate and liquid financial resources to meet current obligations in their day-to-day activities. CMD proposes net capital requirements for three categories of brokers:

- Category (A): brokers only allowed to execute customers' trades—no lending, no clearing and settlement, and no management of customers' trades ("executing brokers");
- Category (B): brokers allowed to execute trades for customers, as well as clear, settle and manage customers' records, but not allowed to conduct any margin trading ("clearing brokers");
- Category (C): brokers allowed to execute customers' trades, lending cash (margin trading), as well as clear, settle, and manage customers' records ("lending brokers").

Both sets of draft rules were developed with the assistance of Morris Simkin from CMD's U.S.-based legal subcontractor Winston & Strawn.

CMA Process Model, Level Two

December 2000, Arabic, CMD subcontractor Arabsoft
Institutional Partner: CMA

The second level of the process model covered the five departments in the CMA's Market Operations Sector: Corporate Finance-Existing Companies, Corporate Finance-New Companies, and Surveillance, as well as two smaller departments, Inspection, and Technical Expertise. The process model is a detailed diagram of information and workflows within and between CMA departments. The first level of the model, completed at the end of 1999, covered the entire CMA and provided an overview of the institutions operations. The second level of the model is a much more detailed view of workflow and procedures.

The second level of the process model will be used in 2001 to jointly identify blockages and areas where information flow can be improved. It has already been useful in specifying the requirements for automating the CMA's bond issuance and post-issuance procedures and was used in CMD's examination of market surveillance capabilities at the CMA. During 2001, the second level of the process model will be extended to the CMA's Accounting and Financial Analysis Sector, which handles periodic filings from issuers.

The process model has been developed by CMD's information technology team, which is led by experts from local subcontractor Arabsoft. The team is led by Senior Systems Analyst Mr. Ibrahim Sabri and Senior Database Specialists Mr. Yasser El-Alaily.

APPENDIX E

Procurement Update: Fourth Quarter 2000

The following table summarizes the status of CMD's procurement efforts on behalf of its institutional partners.

Procurement Items Completed or Underway

IP	Procurement Item	Estimated Cost	Actual Cost Including Installation and Training	Total to Date by IP	Amount Budgeted for IP
CASE	Trading Servers	\$1,000,000.00		CASE	CASE
CASE	Trading Workstations	(included above)	\$1,000,121.00	\$1,000,121.00	\$1,000,000.00
CMA	Workstations	\$70,000.00	\$75,908.00	CMA \$213,770.34	CMA \$450,000.00
CMA	Laptops/LCD	\$0.00	\$9,107.00		
CMA	Xerox Machine	\$0.00	\$21,930.00		
CMA	Training Equip	\$0.00	\$7,621.98		
CMA	Training room renovation	\$0.00	\$5,000.00		
CMA	Firewall hardware	\$0.00	\$49,265.00		
CMA	Firewall software	\$0.00	\$19,982.00		
CMA	Television graphics equipment	\$0.00	\$2,858.77		
CMA	Server room air conditioner	\$0.00	\$1,476.50		
CMA	Server hardware upgrade	\$80,000.00	(transferred to firewall)		
CMA	Surveillance department re-model	\$60,000.00	\$20,621.08		
ECMA	Computer equipment and software	\$30,000.00	\$21,213.00	ECMA \$30,643.53	ECMA \$30,000.00
ECMA	AV Cassette deck	\$0.00	\$460.53		
ECMA	Training Equipment	\$0.00	\$8,970.00		
MCSD	DG Upgrade	\$90,000.00	\$96,960.00	MCSD \$272,418.00	MCSD \$290,000.00
MCSD	Barcode hd/sw	\$0.00	\$1,315.00		
MCSD	Firewall hardware	\$80,000.00	\$78,196.00		
	MCSD / CMA firewall software	(included above)	\$41,124.00		
MCSD	Network management System	\$120,000.00	\$54,823.00		
Total			\$1,516,952.86		\$1,770,000.00

Upcoming Procurement Items and Additional Requests

IP	Procurement Plan Budgeted Items	USD Estimated Amount
CMA	EDGAR hardware	\$200,000
CMA	document archiving system	\$100,000

Additional Requests

EIMA	presentation equipment on hold	\$7,500
CMA	computer room environmental improvements	\$13,000

2001 Procurement Requests

CMA	CMA webserver	\$20,000
CBE	server & backup server for book entry	\$100,000
MCSD	high availability network data storage	\$500,000